Austria Sch. 18	Indonesia Rp 2500	Portugal Esc 75
Bahrain Din 0.550	Italy L 1100	S Arabia Rls 6.00
Belgium BFr 38	Japan Y550	Singapore S$ 4.10
Canada C$2.00	Jordan Fils 500	Spain Pta 100
Cyprus Mils 600	Kuwait Fils 500	Sri Lanka Rup 30
Denmark DKr 7.25	Lebanon L 6.00	Sweden SKr 8.50
Egypt LE1.00	Luxembourg LFr 36	Switzerland Fr 2.00
Finland Fmk 5.50	Malaysia Rtr 4.25	Taiwan NT $25
France Fr 6.00	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 6.00	Turkey L 150
Greece Dr 60	Netherlands Fl 2.50	U.A.E. Dh 6.50
Hong Kong HK$ 12	Norway Nkr 6.00	U.S.A. $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,252 Tuesday February 21 1984 D 8523 B

When the mental luggage must be declared, Page 4

NEWS SUMMARY

GENERAL

Pretoria near to deal with Maputo

South Africa, following last week's ceasefire agreement with Angola, is near to signing a non-aggression pact in Maputo with Mozambique.

The Pretoria Foreign Minister Pik Botha sealed a day of talks with Mozambique's President Samora Machel with a joint communique which said that agreement had been reached on the central principles concerning security arrangements, and that the two countries intended entering into a formal pact.

South Africa's black-ruled neighbours, had accused it of conducting a campaign of destabilisation. Page 12

Mondale far ahead

Latest polls showed former Vice-President Walter Mondale far ahead of his seven rivals for the U.S. presidency as Democrats in Iowa voted in party caucuses. Former astronaut Senator John Glenn faced a hard fight for second place. Page 4

French coal strike

France's two-day national coal strike was well supported, although only about half the miners in the key Lorraine area stopped work. Lorry drivers' blockades ended in most regions of France, but Alpine goods traffic is likely still to be delayed by an Italian customs officers' overtime ban. Page 2

Arms control talks

Richard Burt, Assistant U.S. Secretary of State for European Affairs is to make his first visit to Eastern Europe later this week to discuss arms control and East-West dialogue. The move is seen as helping to persuade the Soviet Union to return to the Geneva talks on European intermediate range nuclear missiles.

EEC withdrawal

The terms of Greenland's withdrawal from the European Community from January 1 next year, were largely settled in negotiations between Denmark and its EEC partners last night. Details are subject to the final agreement of the West German Government and then the ratification of all EEC parliaments.

Shoot order to police

Following new clashes between Sikhs and Hindus in Haryana state in north India and a visit by Home Minister P. C. Sethi, police have been ordered to shoot trouble-makers on sight.

Moscow appointment

New Zealand has resumed diplomatic relations with the Soviet Union after a four-year break, and has appointed Miss Alison Stokes as ambassador in Moscow.

Fine president

Vanuatu, formerly the New Hebrides, is to elect a new president to succeed President Georges Ati Sokomanu, who resigned, to set an example, after being fined for late payment of road tax.

Admiral detained

Argentine Admiral Ruben Chamorro, who headed the Buenos Aires navy school of mechanics, said to have been a torture centre under the military regime, was arrested for questioning on his return from South Africa.

Polish hunger strike

Nine Poles are on hunger strike in their church in Warsaw suburb of Ursus in protest at the church authorities' decision to transfer their priest, Father Mieczyslaw Nowak, a Solidarity supporter, to a rural parish.

BUSINESS

Holmes à Court in new BHP bid

AUSTRALIAN financier Robert Holmes à Court has offered about A$240m ($226m) for 16m shares (about 4.2 per cent) in Broken Hill Proprietary, the country's biggest company, through Bell Resources, the mining and resources investment arm of his Bell Group. Page 12

LONDON: FT Industrial Ordinary index fell 3.7 to 812.5. Government securities showed no change overall. Report, Page 27, FT share information service, Pages 28, 29

WALL STREET: Exchanges closed, national holiday. Bond market prospects, Page 23

TOKYO: Nikkei Dow index rose 16.02 to 9,937.83 and the Stock Exchange index edged up 0.31 to 768.69. Report, Page 23, Leading prices, other exchanges Page 34

LONDON International Financial Futures Exchange revealed its plans for an equity index futures contract linked to the new FTSE share index. Page 12

DOLLAR was slightly firmer in quiet trading. It rose to DM 2.6865 (from Friday's DM 2.6815), FFr 8.2825 (FFr 8.255), SWFr 2.206 (SwFr 2.194), and Y233.4 (Y233.1). Its Bank of England trade-weighted index rose from 128.7 to 128.8. Page 33

STERLING fell 45 points to $1.446, to DM 3.8875 (DM 3.8925), and to Y337.75 (Y338.5), but rose to FFr 11.9725 (FFr 11.97) and SwFr 3.1925 (SwFr 3.185). Its trade weighting was down from 82.5 to 82.3. Page 33

GOLD rose $2.2 in London to close at $385.45. In Frankfurt it was up $3.5 at $385.75, and in Zurich it improved by $3.25 to $385.5. Page 32

CHILE is likely to obtain better terms from international banks for the $780m loan it is seeking to cover its 1984 balance of payment needs. Page 4

CANBERRA: Australian ministers and top industrialists talk today on negotiating steel and coal industry links with China. Page 3

TAIWAN'S Economics Minister said the country may lift measures protecting local industry and widen opportunities for importers within three to five years. Page 4

CZECHOSLOVAKIA'S nuclear power programme has been seriously delayed by technical problems, said Energy Ministry planning chief Jiri Vagner. Page 2

JAPAN produced a record 18.2m videotape machines last year, about 15.2m of which were exported.

IRAN and Syria signed a trade and economic agreement.

WEST GERMAN company insolvencies were 11,845 in 1983, 0.5 per cent down on 1982.

HOSPITAL Corporation of America, the leading U.S. hospital management group reported a 41 per cent rise in 1983 net income to $243.2m and announced a 25 per cent increase in dividend.

KOMATSU of Japan, world's No 2 construction equipment maker, reported 1983 net profits 5.6 per cent down at Y30.6bn ($131.1m), first annual fall for seven years. Page 14

NEDERLANDSE CREDIETBANK, fifth largest Dutch commercial bank, and about to be taken over by Chase Manhattan of the U.S., expects 1983 net profits to be near 1982's Fl 7.3m ($2.4m), but that 1984 earnings will be down.

ABITIBI-PRICE, the Montreal-based newsprint producer – the largest in the world – announced fourth quarter earnings of C$15.2m (U.S.$12.2m) or 64 cents a share, against C$11.6m or 44 cents a share, excluding write-offs. Sales were C$426m against C$415m. For all 1983, earnings were C$38m, against C$63.9m before write-offs.

Italian troops leave Beirut and U.S. marines prepare to follow

BY PATRICK COCKBURN IN BEIRUT

THE 1,400-strong Italian contingent to the multinational peacekeeping force in Beirut left yesterday and the 1,300 U.S. marines stationed there are expected to follow in the next few days.

The expected departure of the bulk of the multinational force is a serious blow to President Amin Gemayel, whose resignation is still being demanded by the opposition forces which now control at least 60 per cent of the country.

The Italians, who had been looking after the Palestinian refugee camps in west Beirut, had suffered very few casualties. They leave behind about 100 men to guard the Italian embassy and other facilities.

The U.S. marines, who were preparing yesterday for departure, say they have removed almost all their heavy equipment and that their combat troops could be pulled out at any time.

Some construction equipment was being loaded aboard a small grey landing craft yesterday morning by marines who appeared unconcerned by the presence of large numbers of militiamen belonging to Amal, the Shia political movement. Armoured personnel carriers formerly in the possession of the Lebanese army and decorated with pictures of Ayatollah Khomeini, the Iranian leader, occasionally roared past the beach.

Druze and Shia opposition forces now appear very confident, and seem to be waiting for the U.S. to pull out before beginning any new political or military moves.

Meanwhile, there is no sign of any break in the diplomatic stalemate, despite the arrival of Saudi Crown Prince Abdullah Bin Abdul Aziz in Damascus. Tomorrow, Prince Abdullah flies on to London, where he is due to meet Mrs Margaret Thatcher, the UK Prime Minister, for talks expected to cover the Lebanese crisis.

Saudi Arabia has played a key role in trying to revive talks between the Lebanese factions, as President Gemayel's position has looked increasingly precarious and the security situation in and around Beirut has deteriorated.

But Prince Saud Al-Faisal, the Saudi Foreign Minister, left Damascus on Saturday after the Syrians rejected the latest peace plan put forward by President Gemayel.

In another diplomatic move, reports from Damascus said that Mr Walid Jumblatt, the Druze leader, and Mr Nabih Berri, who heads Amal, went to Beirut yesterday after lengthy talks with Syrian officials. There was no word on what message, if any, they were carrying.

The Syrians want President Gemayel to abrogate unconditionally the May 17 agreement with Israel on the withdrawal of foreign forces, but it is not clear whether Damascus fully backs its allies in the opposition forces on their demand for President Gemayel's resignation.

The powerful Christian militia forces supporting Mr Gemayel are still hoping that they will be able to obtain assistance from Israel. The Israelis yesterday pushed armoured patrols north of their front line on the Awali river north of Sidon, but there was still no indication of any wider involvement.

The Druze continued to shell the government garrison at Souq al Gharb on the ridge overlooking Beirut but there was no sign of any serious ground attack. Druze leaders say they are waiting for the U.S. to leave and to assess Israeli reaction to any further advance by their forces.

The planned departure to ships waiting offshore of the 1,300 U.S. marines now stationed near Beirut international airport throws doubts on the continued U.S. training of the Lebanese army. Two brigades have defected to the opposition and, last week, another battalion mutinied during the Druze attack south of Beirut.

Meanwhile, the Saudi Arabian consul of Lebanon, Mr Hussein Abdullah al Farrash, kidnapped in west Beirut a month ago, has been freed. Syrian intelligence officers are reported to have assisted in his release, though the identity of the captors is not known.

Mr Amin Gemayel

A dangerous view of Gemayel's palace, Page 3

EEC ministers seek early Strasbourg vote to clear UK rebate

BY JOHN WYLES IN BRUSSELS

THE EEC'S Council of Ministers yesterday backed Britain's efforts to overcome obstacles created by the European Parliament which are blocking the early payment to London of a £457m ($658m) budget rebate.

Acting on the initiative of Sir Geoffrey Howe, Britain's Foreign Secretary, the Council agreed, in effect, to request a special session of the parliament before March 12.

This has become necessary under the Community's complicated legal procedures if the UK is to have much of a chance of receiving the rebate on its 1983 budget contributions before its current financial year expires at the end of March.

If the rebate does not arrive in time, the British Government will almost certainly decide to withhold part of its monthly payments to the EEC budget. Many parliamentary leaders are quite happy to engineer this in the belief that it will weaken Britain's negotiating position on the crucial financial and budgetary issues which the Ten are still trying to settle.

As a result the parliament looks likely to turn down the Council's request that it take the necessary steps to deliver an opinion before March 12 on the technical regulations for paying the rebate. Without an opinion, the Council itself cannot adopt and implement the regulations at its next meeting on March 12-13. If it does not do so, payment to the UK by the end of March would probably be out of reach.

Britain is poised to block a move within the EEC to restrain imports of corn gluten feed which come largely from the U.S. Page 12. The French Government meanwhile is urging completion of negotiations on Spanish membership of the EEC. Page 2

A British spokesman warned yesterday that unless the parliament co-operates the atmosphere could be soured at next month's crucial summit in Brussels on March 19-20.

The request to the parliament to deliver an opinion by March 12-13 will be set out in a letter by the President of the Council, M Claude Cheysson, the French External Affairs Minister. He may avoid an explicit request for a special session so that the issue does not become a trial of strength between the European Parliament and the Council. The undertakings given yesterday suggest that France may not act on earlier threats to block adoption of the rebate regulations until summit agreement is reached on agricultural and budgetary reform. For the time being, this ground is being occupied by the parliament.

Kevin Brown writes from London: The Conservative Government yesterday rejected Labour demands in the House of Commons that Britain should withhold payments into the EEC budget until the agreed rebate on last year's payments was received.

Mr Ian Stewart, Economic Secretary to the Treasury, said that a block on Community payments now would be "premature and counter-productive." He insisted, however, that the Government would take "whatever steps are necessary" if the refund was not paid by the end of March – the agreed date.

Mr Stewart described the European Parliament's attempts to restrict Britain's use of the 1983 rebate as a "wrecking amendment."

Alan Friedman writes from Milan: President François Mitterrand last night expressed cautious optimism that leaders of the European Community could achieve progress on key issues at next month's summit in Brussels.

Speaking in Milan after a working dinner with Mr Bettino Craxi, the Italian Prime Minister, M Mitterrand said he planned to use his presidency of the Community to "re-launch Europe" and to tackle fundamental differences on agricultural policy.

But he was unable to point to any concrete prospects for co-operation.

Peugeot in talks with London on Talbot aid

By Paul Betts in Paris

PEUGEOT, the financially troubled French private motor group, has resumed negotiations with the British Government for UK aid to help finance an investment programme for its Talbot plant at Ryton near Coventry.

M Jean-Paul Parayre, the group's chairman, confirmed yesterday that talks with the UK Government are taking place over the future of Ryton and that Peugeot "wants to stay in Britain."

General Motors wants to cut its unionised labour force by 80,000, or about 20 per cent, over the next three years and replace annual wage increases with a profit-sharing scheme, according to a leaked management memo. Page 12. Britain's trade in commercial vehicles went into the red for the first time last year. Page 12

The negotiations were suspended last December when a labour dispute over job redundancies at Talbot's large car plant of Poissy, near Paris, degenerated into a political and social battle of unusual intensity, threatening the survival of the Talbot car marque itself.

But the situation at Poissy has now returned to normal after a compromise on the redundancies was reached last month, ending some of the fiercest labour clashes

Continued on Page 12

IBM wins key cashless shopping role in Britain

BY ALAN CANE IN LONDON

IBM, the U.S. computer company, and British Telecom have succeeded in their joint bid to provide the main elements of Britain's controversial proposed cashless shopping system.

The computer giant has been under contract to BT for some weeks and work has already started on essential networking and computer equipment at IBM's principal UK laboratories at Hursley in Hampshire. No formal announcement has yet been made.

The Committee of London Clearing Banks (CLCB), which is developing the new electronic system to streamline its function as an interbank cheque clearing group, has insisted on the appointment of an independent consultant to "police" the project and ensure IBM and BT obey rules drawn up to ensure a fair deal for all likely participants in the system.

This is thought to be a result of pressure on the clearing banks and BT from government and industry, including ICL, the UK's largest computer manufacturer. There has been anxiety that such a major contract, giving a large measure of control over the country's shopping habits, should go to a foreign multinational. ICL, in particular, has been bitterly disappointed to lose the contract.

IBM and BT became the favoured manufacturer to supply the computers for the network because of techniques it developed to ensure the security of the system.

The consultant's job will be to ensure that IBM and BT develop a cashless shopping network – technically known as electronic funds transfer at the point of sale (EFT/POS) – for which other vendors will be able to develop and sell equipment. In particular, it will ensure that IBM does not use its proprietary networking technique, Systems Network Architecture (SNA), which would give it a substantial technical advantage over other manufacturers.

The specifications for the counter terminal, the device which will sit on retailers' counters for the recording and verification of transactions, will also be the responsibility of the consultant.

The CLCB is expected to choose between the two London-based consultants Computer Analysts and Programmers (CAP), which carried out much of the work on which the bank's cashless shopping system is based, and Logica, which implemented the clearing houses' payments system (Chaps).

Retailers, however, are now left in confusion over the best way to move to EFT/POS, where a plastic card replaces money and cheques and transactions are conducted through counter top computer terminals.

The CLCB scheme has yet to be

Continued on Page 12

Nixdorf seeks bourse listing to finance further expansion

BY JOHN DAVIES IN FRANKFURT

NIXDORF COMPUTER, the West German data processing company, is financing further expansion by seeking a stock exchange listing and placing 20 per cent of its capital on the market.

Herr Heinz Nixdorf, who has built up the company over the past 30 years, said yesterday he aimed to double the annual sales revenue to more than DM 5bn ($1.87bn) in the next four years.

The company, which now employs 17,500 workers worldwide, would create nearly 10,000 more jobs in this period, he said.

The stock market listing, planned for May or June, is a milestone in the career of one of West Germany's most remarkable post-war entrepreneurs.

After studying physics and economics, Herr Nixdorf began business entirely on his own, without staff or capital, his first production financed by a customer. He has steadily built up a concern with a dynamic reputation in a field dominated by European, U.S. and Japanese electronics giants.

A public share offer has long been awaited, in view of Nixdorf's expansion plans and the favourable mood of the West German stock market.

Deutsche Bank, West Germany's largest bank, which has held a stake in Nixdorf since 1979, will include its holding in the public offer.

Dr Wilhelm Christians, one of the bank's joint chief executives, and Herr Nixdorf both declined to estimate the offer price of the issue, which will be non-voting preference shares.

But Herr Nixdorf agreed that he would be "satisfied" if the public offer raised DM 500m, which would involve a hefty premium for the shares.

A man known for tough personal leadership, he conceded that by offering non-voting preference shares he was refusing to give up any control over the company.

But Nixdorf was still a relatively small concern in world terms, he said. By raising capital through the stock market, it could seize growth opportunities arising from the intermix of computer technology and communications.

Dr Christians said that Deutsche Bank never intended to keep its Nixdorf stake as an investment but wanted to help the company evolve to the stage of a stock market launch.

He said the bank originally had a 25 per cent stake but reduced it to 10 per cent by returning shares to the Nixdorf family.

Nixdorf's present share capital, with a nominal value of DM 200m in DM 50 shares, is to be increased in two stages to a nominal DM 380m.

In the first increase of DM 120m, the Nixdorf family and Deutsche Bank will make a financial contribution at par, the bank's holding rising to a nominal DM 32m. The second increase, totalling a nominal DM 40m, together with the bank's holding, will be offered to the public.

In addition to this 20 per cent stake on public offer, a further 7 per cent stake is held by Nixdorf employees.

After the share market operation, Nixdorf's share capital will be divided equally into ordinary shares, held entirely by the Nixdorf family, and non-voting preference shares.

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CONTENTS

EUROPEAN NEWS

'TEN' HAMMER OUT APPROACH TO ENLARGEMENT

EEC puts farm terms to Spain

BY JOHN WYLES IN BRUSSELS

NEGOTIATIONS on Spanish membership of the EEC reach an historic stage today with the presentation to Sr Fernando Moran, Spain's Foreign Minister, of a Community declaration on agriculture. Designed to set out the broad lines of the Ten's approach on this most sensitive aspect of EEC enlargement, the declaration was only agreed with immense difficulty by Community Foreign Ministers yesterday.

France secured several points in favour of a basically restrictive approach which delays integration of Spanish farming into the EEC for 10 years and effectively maintains existing Community barriers against Spanish fruit and vegetables for at least five years.

Although Paris did not have its way entirely, concessions had to be made by other Governments in order to encourage France's recently-found enthusiasm for completing the negotiations with Spain, now in their fifth year.

The French Government is urging completion by September 30—a date which should bring both Spain and Portugal into the EEC by January 1, 1986. This may be adopted as a formal target by the Foreign Ministers when they meet next on March 12-13.

Sir Geoffrey Howe, Britain's Foreign Secretary, made clear his reservations yesterday and also his recognition that if he acted on them, the Ten would not be able to make the agricultural declaration. But he thought it unbalanced and based on protecting the Community market while improving access for EEC products to the Spanish market.

Madrid's reaction is unlikely to be any more enthusiastic. Four years ago, the then Government had been hoping for full integration into the Common Agricultural Policy within five to seven years. But it is now recognised that a longer period will have to be accepted.

Having taken a stand on a 10-year transition on agriculture, the Ten are unlikely to be able to argue for a shorter period on trade with Spain in industrial products.

This is one reason for British concern about the farm declaration, since the UK is keener than most of its partners to see a full dismantling of Spain's high protective tariffs on manufactured goods in less than 10 years.

President Evren: third trip to Arab world

Howe adds his voice to the warning chorus

BY OUR BRUSSELS STAFF

SIR GEOFFREY HOWE, Britain's Foreign Secretary, last night added his warning to the chorus predicting the end of the European Community if its political and financial crisis is not solved soon.

Unlike some other recent pessimists, Sir Geoffrey avoided hanging the EEC's entire future on the outcome of next month's summit in Brussels. But he was in no doubt that if the Ten could not solve their agricultural and budgetary problems, then the EEC would run out of money, the agricultural policy could break down and trade restrictions could spread.

"The Community could simply start to rot away," said Sir Geoffrey. Not only would economic and social aspirations be damaged, but also "our political and security objectives." "A dream would have died. Our generation would have failed."

In a long and thoughtful speech to Belgium's Royal Institute for International Affairs, Sir Geoffrey was seeking to underline Britain's commitment to the Community at a time of growing internal crisis. If this is not resolved, the Foreign Secretary is well aware that many attempts will be made to hold the UK responsible and to question its belief in the Community.

He presented the current impasse as reflecting the EEC's resistance to change. "Change of any kind is deemed somehow heretical and dangerous," he said.

Change was needed not just in the common agricultural policy, but also in the EEC's internal market whose barriers were crippling the Ten's joint development. Sir Geoffrey saw the chance of real progress in developing new policies once "divisive protective measures" were swept away.

"Then, other new policies, which are hard to justify economically in the present state of Community integration, would become viable."

Not surprisingly, Sir Geoffrey was insistent on the need for change in the EEC's budgetary system. By requiring Britain to be a large net contributor to Brussels, the budget frustrated the Community's goal of convergence.

Budget burdens must relate to relative prosperity. Britain was not trying to get back what it puts in—the so-called *juste retour*—he emphasised. "We expect to make a modest net contribution to the Community. We expect the member states who are well below the Community average in prosperity to be net beneficiaries."

Only a budget solution, together with better control of farm and other EEC spending would provide the basis for British agreement to raise the ceiling on the community's budget revenues. The UK would not have any truck with "siren voices" urging short term palliatives.

"The Community has been lured towards the rocks too often, and it will not serve our common interest to succumb again," he said.

Evren bid to boost Saudi ties

By David Barchard in Ankara

PRESIDENT Kenan Evren of Turkey flies to Saudi Arabia today at the start of a five-day visit, his third to the Arab world in less than two months.

The trip is part of a concerted effort by Turkey, with the discreet backing of the United States, to develop closer political and economic ties with moderate Arab states.

The President visited Jordan in December and attended the Islamic summit in Casablanca in early January.

Political discussions are likely to concentrate on the Gulf war and the fighting in Lebanon, though Turkey has been careful not to become even indirectly involved in either conflict and maintains good relations with both Iran and Libya.

Its strong economic ties with the radical Middle Eastern states mean that it is unlikely to be willing to make any explicit gestures in favour of the moderate countries.

Gen Evren, who is accompanied by the foreign and defence ministers, may also sign a military training cooperation agreement while in Saudi Arabia under which Turkish instructors will be sent to the Saudi army, and Saudi cadets will be trained at Turkey's military academy.

However, Turkey is hoping that the visit will boost its trade and contracting operations in Saudi Arabia. Last year, Turkey exported about $350m-worth of goods to Saudi Arabia, including foodstuffs and building materials, and imported about $240m-worth of Saudi crude oil.

Turkey's contracting operations in Saudi Arabia currently stand at a total value of $3.5bn, with about 90 Turkish contractors and nearly 100,000 Turkish workers employed there.

French coal strike begins as roads blockade is lifted

BY DAVID MARSH IN PARIS

THE TWO-DAY national French coal strike which started yesterday was given mixed support. Unions reported that the strike call was widely supported in most parts of the industry, although only about 50 per cent of miners in the key Lorraine coalfields stopped work.

The stoppage, called in protest at planned large cuts in the workforce in the mines and a freezing of subsidies for coal mining, is one of the severest tests so far this year for the Government's programme of slimming down inefficient state-backed industries.

Meanwhile, the other main challenge to the Government was easing yesterday. Lorry blockades around the country, mounted as part of weekend protest action by the country's road haulage confederations, were taken down in most French regions ahead of today's planned negotiations with the Government.

Some barricades remained in place in Alpine regions where action started at the end of last week, and limited blockades persisted on three motorways. But traffic returned to normal in most parts of the country following the widespread paralysis which affected more than half France's 95 *departements* (administrative districts).

A large number of blockades were removed within a few hours of Sunday night's appeal by M Maurice Voiron, leader of the dominant National Federation of Road Hauliers, which groups 80 per cent of independent companies. This followed *the offer of talks by M Charles* Fiterman, the Communist Transport Minister, to discuss the industry's claims for improved tax treatment and social conditions.

In Paris, there were four different reactions to the events of the weekend:

● Ordinary citizens were given a clear demonstration that, despite the highly centralised power of the state and the considerable firepower to quell disorder of the police and paramilitary forces, the country could effectively be held to ransom by a small group of individuals acting in co-ordination to block main traffic arteries.

Symptomatic of the Government's impotence were the vain efforts of police and soldiery, aided by heavy lifting equipment, to shift lorries halted on Alpine roads.

● In spite of all the inconvenience to travellers, some Frenchmen could not help expressing a sneaking pride that some of their countrymen had stood up for their rights in the face of bureaucratic injustice.

Apart from the perennial complaints about restrictions on working hours, tax regulations and official controls on tariffs which will be the subject of today's peace talks, the drivers were also protesting about customs officers on both sides of the Franco-Italian border.

They can hold up hauliers, sometimes for days, because of petty frontier clearance formalities or go-slows within the customs profession itself.

● Recognition of the ability by minority groups to mount blockades has added fuel to the idea that such power could be misused for blatantly political purposes.

The fear was summed up by M Serge July, the publisher of the Paris daily newspaper, Liberation, who wrote: "It must be feared that this example of effectiveness could enter into the heads of other social groupings who might be less naive in political matters."

● *Despite the headlines and* rhetoric generated by the blockade, there was general relief that the dispute had not developed into violence, apart from the odd clash between drivers and police trying to clear roads.

Also, the right-wing opposition at the weekend, while denouncing predictably the Government's "incoherence" over the dispute, significantly failed to try to make undue political capital out of the affair.

UK unions submit complaint to ILO

By Anthony McDermott in Geneva

THE INTERNATIONAL Labour Office (ILO) yesterday received a complaint against the UK government from Britain's Trade Union Congress.

The complaint alleges that by banning unions at the secret communications centre in Cheltenham, the government has breached ILO Convention 87, permitting the freedom of association and the right to organise a union.

A spokesman for the ILO said this was the first instance of a government attempting to exempt personnel from trade union membership at a secret communications centre. In the past, there had been complaints against governments involving the police, army and other "essential" services.

The procedure resulting from a formal complaint means that there will be no quick outcome. The text of the complaint has to be examined to see whether it is acceptable, then the complaint is sent to the British government for its comments. Meanwhile the TUC may be invited to send further information.

The result is that the TUC complaint is almost certain to miss the next meeting of the ILO governing gody, which opens a four-day session on Monday, February 27.

Evidence will be examined by an independent committee of experts and recommendations will be made at the second of three annual meetings held in May.

This complaint is one of 130 at present before the ILO in connection with freedom of association. *The ILO is sanguine* about the direct pressure it may be able to bring on the British Government.

Chernenko lifts curtain on family

By Anthony Robinson

WITH A subtlety not always found in the pages of the Soviet Communist Party newspaper, Pravda, the Soviet people and the world outside have been informed that Mr Konstantin Chernenko, the new leader, is the father of a daughter, Yelena Konstantinovna Chernenko.

This first glimpse into Mr Chernenko's private life came in the form of an article commemorating Maximilian Savelyev, a hitherto obscure Communist who was deputy director of the Marxism-Leninism Institute in the 1930s, and signed demurely Y. Chernenko.

When foreign correspondents checked to trace the author, Soviet officials confirmed that it was written by Miss Chernenko, who has worked in the central archives of the Institute as a senior researcher for the past 10 years.

The official biography of Mr Chernenko, published immediately after his selection as leader, limited itself to an account of his rise to supreme power from humble Siberian peasant origins, but gave no personal details, except his age.

We now know that, at some stage at least, Mr Chernenko was probably married. But the identity of his wife or wives still remains a mystery, as does the existence of any other children.

Similar secrecy shrouded the private life of Mr Yuri Andropov whose wife, Tatyana Fillipovna, first appeared in public only after her husband's death.

U.S. Senators brief Moscow on 'build-down'

By Anthony Robinson

TWO U.S. Senators yesterday said they had received "a very warm reception" from high Soviet officials in Moscow after briefing them on President Ronald Reagan's proposals for a "build-down" of strategic nuclear warheads.

The "build-down" proposals, which form the basis of the U.S. negotiating position at the strategic arms reduction talks (Start) in Geneva, call for a reduction of two existing nuclear warheads on strategic missiles for every new warhead added as part of agreed modernisation programmes.

The Senators, Mr William Cohen, a Republican from Maine, and Mr Joseph Midden, a Democrat from Delaware, were the first U.S. politicians to have talks in Moscow since the emergence of Mr Konstantin Chernenko as the new leader—apart from Vice-President George Bush, who headed the delegation Mr Yuri Andropov's funeral.

They had two days of discussions at the Soviet Academy of Sciences, followed yesterday by a meeting between Senator Cohen, Mr Vladimir Kuznetsov, the 83-year-old Soviet Vice-President, and Mr Georgi Kornienko, First Deputy Foreign Minister and a U.S. relations expert.

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Czechoslovak N-power programme set back

BY LESLIE COLITT IN BERLIN

CZECHOSLOVAKIA'S nuclear power programme is seriously delayed, according to Mr Jiri Vagner, head of the Energy Ministry's planning department. Output of 3,280 Mw of nuclear-generated electricity had been planned by next year, but only 2,600 Mw are now expected.

Reports in the Czechoslovak *Press indicate*, however, that it will be difficult to meet even this lower target. They note that not one of the Soviet designed 440 Mw reactor units being erected at Dukovany and Jaslovske Bohunice has been completed on time.

One newspaper account blamed the builders and "technical problems." A "difficult situation" is also said to have arisen in the construction of nuclear power stations at Mochovce and Temelin because of a series of changes made in their construction.

Mr Vagner said that the delays have tied up billions of koruna in the uncompleted nuclear stations. He pointed out that to build a conventional thermal power plant in Czechoslovakia costs K7m (£74,700) per Mw of electricity, while nuclear power stations cost K12.2m (£1.3m).

Delays in the nuclear programme are also affecting coal mines whose output was to have been reduced as the share of nuclear-produced electricity rose. Now, coal production targets have apparently been revised upward. This, in turn, will lead to higher-than-expected expenditures for coal mining as the deposits of lignite used in the thermal power stations are increasingly difficult to mine and are of lower quality.

E. German sports machine outstrips the field

BY LESLIE COLITT IN BERLIN

THE OUTCOME of the Winter Olympics in Sarajevo shows that few East German products are as successful internationally as that country's superb sports machine.

East German athletes, representing only 16m people, took nine gold medals, more than the Soviet Union and the U.S., and left the West German team well behind in eighth place.

In total medals, East Germany with 24 was only just "pipped at the post" by the Soviet Union with 25.

Every East German medal winner was sent a personal message of congratulations by Herr Erich Honecker, the East German leader. But that was not the only motivation that made the East German athletes perform so well.

Excelling in sport in East Germany is the key to travelling to the West which is denied to other citizens below retirement age. It is also the best way to study in the field of one's choice, with a high proportion of outstanding athletes choosing physical education.

Once graduated, they are assured of a flat and a chance to buy a new car.

Talent is first discovered during kindergarten sport, with the parents of promising children being asked if they wish them to attend one of 19 special sports schools. There, the study schedule is built around sport, with no conflict between the two, as is often the case in the West.

Most East Germans are proud of their athletes' successes, but they often complain about the high financial cost. Some object to the strain it places on competing children. A mother in Leipzig said she had refused the offer to send her child to a sports school, saying she wanted him to grow up "as normally as possible."

Tax evasion inquiry into Bayer

By Rupert Cornwell in Bonn

BAYER, the giant West German chemicals group, is under judicial investigation here, on in respect of suspected evasion of taxes on sums said to have been circuitously and improperly directed to leading political parties.

The proceedings against Bayer, confirmed yesterday by the Bonn public prosecutor's office, represent the latest twist in the nine-year-old probe into under-the-counter political payments by industry. Up to 100 companies here are said to be suspected of having made such contributions.

In the case of Bayer, the prosecutors are examining suggestions that the company dodged tax on sums it said had been made over to civic associations in Cologne, close to Bayer's headquarters at Leverkusen.

The company was able to set the payments against tax, on the grounds that they were made "for the common good."

In fact, however, so it is alleged, the funds then found their way to numbered accounts in Liechtenstein, and thence into the coffers of the ruling Christian Democrat and Free Democrat parties.

It was noth immediately clear how much money is alleged to be involved. A spokesman for the prosecutor's office said the inquiry was only at a preliminary stage. Bayer refused comment on the matter.

The company is also being probed in connection with property dealings between itself and the Leverkusen municipality.

The whole issue of clandestine payments from companies to poltical parties will be making headlines when the Bonn prosecutors decide whether to go ahead with a court case against those indicted in the so-called "Filck affair."

Swiss call to lower road speed limits

By John Wicks in Zurich

A REDUCTION of the Swiss speed limit to 100 kph on motorways and 80 kph on other roads outside built-up areas would cut pollution from motor-vehicles by some 7 per cent, according to a study presented to the Government.

Such a reduction, from current speed limits of 130 and 100 kph, would be equal to 33 Sundays a year with no road traffic at all, it is claimed. Switzerland briefly banned road traffic one Sunday a month during the 1973-74 oil crisis, at which time it also imposed a speed limit of 100 kph.

Slower speeds, according to the report, would cut emission of nitrous oxide by 9 per cent.

Italian customs ban may add to delays in Alps

BY JAMES BUXTON IN ROME

FREIGHT TRAFFIC across the Alps is likely to become further disrupted in the wake of the blockade by French lorry drivers, following yesterday's decision by some Italian customs *men to go ahead with an over*time ban in pursuit of a pay claim.

The ban, which is expected to last three days, had been called by a union which is independent of the national union federation, which has condemned the action. Some customs men began their action yesterday a day before it was officially due to begin.

Lorries are already queuing up on roads leading to the Italian-French border, as a consequence of the French blockade. There are about 1,000 lorries waiting at Aosta and a further 400 on the road up to the Mont Blanc tunnel.

Italian rail freight has also been disrupted in the past few days by a series of strikes by train drivers belonging to the CGIL union. They are protesting against the Government's decision last week to impose an incomes policy by decree.

Though passenger trains were returning to normal yesterday, there is a big build-up of railway wagons in marshalling yards in Milan as a result of the train drivers' strikes. Elsewhere in the country, trains have been delayed by random strikes by railway workers.

Yesterday, however, it was reported that diminishing support *for the strike was enabling* trains to get through with less disruption.

Sweden may widen vote

BY KEVIN DONE, NORDIC EDITOR, IN STOCKHOLM

IMMIGRANTS FROM other Nordic countries living in Sweden could be given the right to vote in parliamentary elections according to proposals under consideration by the Swedish Government.

An all-party committee has recommended that suffrage should be extended to Nordic immigrants who have been registered in Sweden for at least three years.

Social Democratic members of the committee consider that this should be a first step on the way to granting the right to vote to all foreigners registered in the country. They can vote in local elections already.

The Socialist majority in the committee—the Social Democrats and the Communists—also suggest that Swedes living abroad who have not been registered in the country at any time in the previous 10 years should lose the right to vote in parliamentary elections.

Irish MPs return to Assembly

By Our Belfast Correspondent

THREE MEMBERS of the Official Unionist party yesterday split from their colleagues and returned to the Northern Ireland Assembly which the party has boycotted since November.

There was no sign, however, that their action would presage a mass break from the party policy. The remaining 22 members of the assembly party voted at a meeting to continue their protest.

Mr Raymond Ferguson of Fermanagh, one of the three, said the party had made sufficient progress on both the political and security fronts to enable it to end the boycott.

He said there had been progress during talks with the other two assembly parties – the Reverend Ian Paisley's Democratic Unionist Party and the non-sectarian Alliance Party – and the possibility of a report committee which would present the Government with proposals for devolving powers back to Stormont (the former parliament).

The unionist boycott was called in protest against government security policy and because of unionist frustration at the tack of movement towards devolution.

Mr Ferguson, who was supported in his return by Mr John Carson of North Belfast and Mr James Kirkpatrick of south Belfast, said there had been improvements in security although no one could claim that it was perfect.

The Reverend Martin Smyth MP, a leading supporter of the boycott, said the three were mistaken if they believed that grass roots opinion supported a return to Stormont.

They might face disciplinary action.

Private Spanish motorway system reaches the end of the road

David White in Madrid explains why a national road plan was badly needed

BY A CURIOUS coincidence, *the British Government is toy*ing with the idea of bringing private finance into road-building just as Spain, which went down that street in the 1960s, is trying to back out of it.

Nowhere else in Europe has the private initiative principle in building and operating motorways been taken as far as in Spain. Few would claim the experience has been anything short of disastrous. The country's moderate Socialist Government has decided to rule out any more private ventures, stop the construction of toll roads, reduce the number of private motorway concessions and take over a good part of the network itself.

The concession system has failed Spain in two ways. For one thing, it has not overcome the inadequacy of the road network in most of the country. Prestige highways run across the north and halfway down the Mediterranean coast, but Madrid is one of the last capitals in Europe still to be inaccessible by long-distance motorway.

For another thing, it has brought financial chaos. Though incomplete, the motorway system accounts for 15 per cent of Spain's foreign debt. A sizeable share of the burden has been passed on to the state, thus shattering the pretence that the country could have its roads without draining the budget.

The need for a national motorway grid emerged with economic growth at the start of the 1960s. The only motorways launched up to then had been short urban stretches built by the state. The Franco Government, limited by low fiscal revenue and reluctant to overtax the motorist, which would have risked stifling the country's new car industry, saw no choice but to turn to private or foreign capital. It opted for toll roads operated by private concessions, in contrast to France or Italy where the majority of concessions are shared between the state and private interests.

Plans were laid for over 4,000 miles of road, less than a third of which has actually been built. The first concessions were granted in 1967, mostly on the heaviest traffic routes.

In the four years before the 1974 oil crisis contracts were signed for more than 900 miles of motorway—about 70 per cent of today's network. The crisis, which, apart from higher petrol prices brought higher capital and building costs, and a drop in living standards, forced a change in strategy. Instead of going for more long intercity links, the idea was to concentrate on short, partly toll-free stretches of motorway near to population centres.

Less profitable

The original motorways went on being built, however. The network open to the public doubled between 1976 and 1981. A recent study reckoned that Spain needed another 900 miles by the end of the century. But the new stretches, such as Madrid-Saragossa, promised to be more expensive to build and less profitable to run. The private sector had long lost interest. The *last concession had* been taken up in 1976, and after that, none found a bidder. In the meantime, some of the 11 existing concessions were cruising at high speed towards bankruptcy.

The concession companies, backed mainly by banks and builders, were set up on a small caiptal base, under generous government conditions. The motorways are practically tax exempt. The Governemnt not only guaranteed the companies' foreign bororwing up to a certain limit, but also undertook to provide currency for the repayment and servicing of all their foreign loans at the same exchange rate as when they were contracted. Much of the debt was taken on when the peseta rate was half the current 150-plus to the dollar. The cost to the Government is now well over $500m (£355m).

Even with this help, toll receipts have not been enough to service the debt. As recession digs deeper and Spaniards shun toll roads, daily traffic density has tended to stagnate or drop. Contrary to original expectations, the only growth in overall motorway traffic over the last 10 years has come from the inauguration of new motorways.

The last stretch of toll motorway was opened last August north of Leon, part of what was once to have been a Madrid-Asturias highway. Including a spectacular suspension bridge it came to well over $7m a mile, making it the most expensive road ever built in Spain. For the Government, it is literally the end of the road.

The company responsible for it, Aucalsa, is being nationalised along with another, Autopistas del Atlantico, which has the concession *on an unfinished* motorway in Galicia at the north-west tip of the country, and the two are being merged.

Help sought

"It has not been the Government wanting to nationalise, but the companies that came to the Government asking for help," explains Sr Julian Campo, the public works minister. They were losing some Ptas 5bn (£22.5m) a year apiece. Between them, according to Sr Campo, they account for one-third of all the motorways' foreign debt, currently around $2bn.

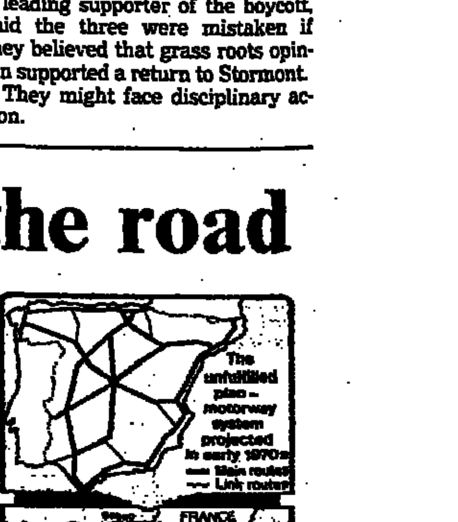
Shareholders will be repaid at par once the concessions expire—that is, sometime in the next century. The motorways will continue to be run as toll roads under a new state holding company. Three others will join them—the Catalan company Acesa, which makes profits but which has been under Bank of Spain control since 1982 following the collapse of its main banking shareholder, its subsidiary in Aragon, and a local authority-controlled company in Navarre.

At the same time, it is proposed to raise a joint $350m foreign credit, carrying a state guarantee, to refinance all the motorways' debt.

The Government plans to spend $4.6bn between this year and 1992 on the main roads, repairing gaps left by the showpiece *autopistas* and upgrading *other* roads that are collapsing under the weight of traffic.

It is Spain's first national road plan for 22 years. Badly-needed motorways which were never built because private enterprise stopped wanting to build them will be replaced by a poor man's version known as *autovias*—toll free dual carriageways with tighter curves and simpler intersections, often built on existing roads.

The result will be an uneven arrangement, with parts of the country where people have to pay to use the fast road and parts where they don't. But whatever the appearances, the state pays for both systems.



OVERSEAS NEWS

A dangerous view of Gemayel's palace

BY PATRICK COCKBURN IN BEIRUT

THE LEBANESE army has now deployed most of its 13,000 combat troops who have stayed loyal along the so-called Green Line which divides Moslem west from Christian east Beirut and around the Presidential palace and Defence Ministry. President Amin Gemayel is in no position to sustain another defeat, particularly one which will give the opposition Druze forces an even better view of his palace.

The Druze are adamant they will storm Souq al Gharb, the last stronghold of Lebanese army control on the ridge line 3,000 ft above Beirut, and have already started heavy shelling and probing attacks.

If they capture the town they will avenge their only failure in the mountain war last September. Possession of the whole mountain ridge, eight miles from the heart of Beirut, will also round off the Druze mini-state which they have consolidated in the mountains to the south and east of the capital.

In strictly military terms the Lebanese army should probably pull out of Souq al Gharb but President Gemayel has suffered too many defeats to abandon the scene of his one victory. The garrison is almost the only sign that his administration is not politically and militarily moribund.

Dug in among the pine trees surrounding the resort town, 1,000 government soldiers are waiting behind their minefields for an attack by the Druze militiamen who stormed Lebanese army positions at the other end of the same ridge last week.

Each night the people of Beirut can see the sky above the little town illuminated by flares and pinpricks of fire as shells explode. Ground attacks have not yet begun but the Druze leaders in the neighbouring town of Aley, only two miles down the road, say they plan to capture the place.

The significance of Souq al Gharb is symbolic rather than strategic. Last September the army's eighth brigade clung to its positions here for three weeks despite ground assault and heavy shelling. This was almost the only victory won by President Gemayel's regime. In a brief moment of triumph the President, a flack jacket over his neat white shirt, was seen on television visiting his men in the trenches.

Every day soldiers in Souq al Gharb suffer casualties from shells, rocket-propelled grenades and snipers' bullets, but the greatest danger is that the Eighth Brigade, many of its men Moslems, will split along sectarian lines like the army units at the other end of the ridge.

The Druze say they must take the town but emphasise that "we are not in a hurry," and they will wait until the American and other foreign forces have sailed away. The Druze leaders imply that their attack will come in weeks rather than days, but they add that they will not abandon their plans for an assault. If Souq al Gharb then falls it will be the deathblow to President Gemayel's administration.

No pullout without guarantees says Shamir

Prime Minister Yitzhak Shamir said yesterday Israel would only leave Southern Lebanon if there was another force there capable of preventing guerrillas from striking at its northern border.

After talks with Mr Claude Cheysson, the French Minister for External Relations and current president of the European Community, Mr Shamir said "Israel will leave South Lebanon only when we have someone there who can assure our security."

Israeli officials said the deepening crisis in Lebanon and Israel's trade relations with the Community were the main topics at Mr Shamir's hour-long meeting with Mr Cheysson at a Belgian Government guest house outside Brussels.

They quoted the Prime Minister as saying that what happened in Beirut, where beleaguered president Amin Gemayel is under increasing pressure from Moslem opponents, was beyond Israel's immediate concern.

Diplomats noted that Shamir no longer cited Syrian withdrawal from Lebanon as a condition for an Israeli pull-out.

The Prime Minister told Cheysson that a security force to police southern Lebanon would have to be a real fighting force

Reuter

Gulf council sees risk of foreign intervention

BY OUR MIDDLE EAST STAFF

DEFENCE Ministers from six Arab oil-producing countries in the Gulf met for urgent consultations yesterday on the threats posed by the upsurge of fighting in the war between Iran and Iraq.

The Ministers from Saudi Arabia, Kuwait, Oman, Bahrain, the United Arab Emirates and Qatar, who are grouped together in the Gulf Co-operation Council, said before the talks that one of their main preoccupations was the growing risk of superpower intervention in the region.

Sheik Salem al-Sabah, the Defence Minister of Kuwait, commented: "The threat to block the Strait of Hormuz amounts to an open invitation to the big powers to intervene in our internal security affairs. We reject this and we shall resist the eventuality of foreign intervention at all levels."

Sheik Mohammed bin Rashed al-Maktoum of the UAE, added that the meeting had been called "amid a multiplicity of changes and critical circumstances that have been menacing the Gulf region in particular and the Arab world in general."

Heavy fighting in the Gulf war was again reported from both Tehran and Baghdad yesterday, despite hopes on Sunday that agreement had been reached for the two countries to halt their attacks on cities either side of the international border.

Iran said yesterday that its forces had killed a further 1,500 Iraqi troops in the central Mehran sector, south-east of Baghdad, where the main Iranian offensive was launched on Wednesday. Iraq countered by saying that it continued to inflict heavy casualties on the "remnants" of the Iranian invasion force.

The fear among the other Gulf states is that President Saddam Hussein may be provoked into carrying out his threat to attack Iranian oil export facilities and this will lead to Iran attempting to close the Strait of Hormuz, through which the bulk of their crude oil exports flow.

With the U.S. publically committed to maintaining freedom of navigation through the Strait, any such development could rapidly draw in the American naval carrier force which is within easy steaming distance of Hormuz.

BP fails to strike Chinese oil

BY RICHARD JOHNS

BRITISH Petroleum failed again to find oil or gas in any significant quantities with the second well drilled in off-shore contract areas awarded to it by China last May.

The company said yesterday that the shallow well drilled in tract 27/31 of the South China Sea by the Chinese-owned rig Nanhai-2 had been abandoned but that it had commenced one in the neighbouring 26/14 tract.

BP's first well in block 14/29, also in the South China Sea, discovered some traces of oil but was abandoned in January. Altogether it has five tracts including one in the Yellow Sea.

The company still expects to be operating three rigs in Chinese waters by the end of the year. With a 45 per cent share, it is operator for a consortium including also Petrobras, Broken Hill Proprietary, PetroCanada, and Ranger Oil.

Analysts said yesterday that it *was still too early to make any* judgments about the prospects in the South China Sea. BP is exploring in an area about 40 times the size of a North Sea block where the success ratio for each well drilled is currently about one in 20.

Australian industry to discuss China link

By Michael Thompson-Noel in Sydney

PLANS by Mr Bob Hawke, the Australian Prime Minister, to secure major links between the Chinese and Australian steel and coal industries will be discussed in Canberra today.

The meeting will be attended by Senator John Button, Labor's minister for industry and commerce, Mr Lionel Bowen, the minister for trade, plus representatives of Broken Hill Proprietary (Australia's monopoly steel maker), CRA (the Australian arm of Rio Tinto Zinc), CSR (another multi-resource major), and the Australian Coal Association.

During his recent Asian tour, Mr Hawke raised the possibility of a major boost in trade with China, involving a near doubling of Australia's steelmaking capacity. Mr Hawke will have detailed talks with union chiefs later this week.

AP-DJ reports: The Australian Transport Workers' Union (TWU) has placed servicing, refuelling and loading bans on Continental Airlines' flights to *Australia despite a court injunction* yesterday barring them from doing so.

The TWU said the bans went into effect yesterday afternoon and should effectively stop all Continental flights in and out of Australia.

Karachi airport closed by fire

By Mohammed Aftab in Islamabad

A MAJOR part of Karachi International Airport, a key link in the Europe-Far East route of foreign airlines, was burnt down yesterday. The airport was closed, all incoming planes were diverted and departures cancelled immediately after the three-hour fire broke out. It was hoped to reopen partially the airport late last night.

Eyewitnesses said that a major part of Terminal Number One, which includes the *international arrival* and departure lounges, was burnt down, in the fire, the cause of which is still not known.

Terminal Two several hundred yards away, was undamaged. It will be used to operate flights when the airport partially reopens. Inspite of intensive security arrangements, the airport remains a scene of arson.

NZ and USSR end diplomatic freeze

New Zealand has resumed diplomatic relations with the Soviet Union after a break of four years and has appointed Miss Alison Stokes as its ambassador to Moscow, Dai Hayward reports from Wellington.

New Zealand broke off diplomatic relations in 1980 after it expelled the then Soviet ambassador, Mr Vsevolod Sofinsky at 48 hours notice for allegedly passing funds to the Socialist Unity Party—an offshoot of the Communist Party.

Hong Kong optimism

Hong Kong's manufacturing sector had a favourable fourth quarter in 1983 and expects a generally good first quarter this year, while the construction industry is more pessimistic after a poor fourth quarter, according to a government survey, AP-DJ reports from Hong Kong.

Amman condemns

Prime Minister Ahmed Obeidat of Jordan yesterday condemned the burning of Jordan's embassy in Tripoli as a premeditated, criminal act and said Jordan had lodged a strong protest with the Libyan Government, Reuter reports from Amman.

Nigerians open London talks on trade arrears

BY MICHAEL HOLMAN

DR ONALAPO SOLEYE, the Nigerian Finance Minister, held talks in London yesterday with Mr Nigel Lawson, the Chancellor of the Exchequer, on the rescheduling of British trade arrears and other bilateral economic issues.

A spokesman for the Chancellor said after the 20-minute meeting that the two men had discussed the economic programme of the Nigerian Government.

Nigeria's short-term debt, *both guaranteed and private*, had been raised, the spokesman said, but gave no details. Official debts, he added, "will eventually be discussed multilaterally with the other governments involved."

In the afternoon, the Nigerian delegation, which includes Alhaji Abubakar Alhaji, Permanent Secretary in the Ministry of Finance, and Alhaji Abdulkadir Ahmed, Governor of the Central Bank, held two hours of detailed talks with officials of the Export Credit Guarantee Department on the rescheduling of guaranteed short-term debt, put at some £600m to £800m.

The delegation leaves today for meetings with government officials in Paris and Bonn.

Nigeria has offered both export credit agencies and individual suppliers repayment of arrears over *six* years, with a 2½-year grace period and at an interest rate of 1 per cent over the London Interbank Offer Rate.

A major area of disagreement however is Nigeria's refusal to pay *any* post-maturity interest on the arrears, which have accumulated over the past two years.

U.S. companies defend investment in S. Africa

BY BERNARD SIMON IN JOHANNESBURG

AMERICAN companies have strongly defended their invetstments in South Africa on the eve of a U.S. Senate debate on proposals to curb U.S. commercial links with Pretoria.

In the booklet published to coincide with the debate, the 300-member American Chamber of Commerce in South Africa (Amcham) says that "we know of no part of the world where American companies are doing more to promote equality and opportunity in the workplace than in South Africa." Copies of the booklet have been posted to all U.S. congressmen and state governors.

According to Amcham, U.S. companies have spent about $70m implementing the principles of fair employment practice drawn up seven years ago by Rev Leon Sullivan, the Philadelphia churchman and civil rights activist.

Of the 350 U.S. companies operating in South Africa, 147 have signed the Sullivan principles. They employ 71 per cent of the roughly 120,000 blacks who work for U.S. subsidiaries and affiliates. Amcham is strongly opposed to recent efforts, embodied in the draft legislation now before Congress, to make adherence to the Sullivan principles mandatory and to tighten the monitoring of signatories' performance.

The booklet details U.S. companies' contribution to black education, in-service training, housing, health care and black business development. It says that 76 companies have "adopted" 150 schools in black townships and have invested $6m in the Amcham-sponsored Pace commercial college in Soweto.

A group of companies is presently investigating the establishment of a business centre to train Black managers and administrative personnel in the wake of criticism that black advancement into supervisory and managerial posts has been negligible.

Without giving details, the booklet asserts that U.S. companies have "played a role in lessening some of the more oppressive effects of the apartheid system."

AMERICAN NEWS

Tim Coone, recently in Costa Rica, reports on anti-Sardinist rebels

Costa Rican change counts against Contras

THE RASTAFARIAN piloting our boat nodded in the direction of a clearing in the jungle on the Nicaraguan side of the San Juan River. "Over there is a helicopter landing pad," he said.

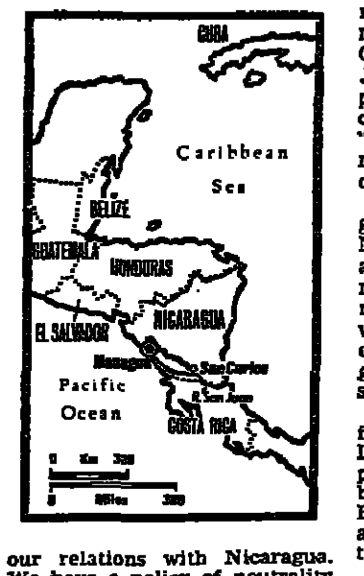
The pilot was a member of the Arde guerrilla group led by Sr Eden Pastora, the former Sandinist commander who has switched sides and is now trying to unseat the Left-wing Sandinista Government in Managua. It was an Arde landing pad we saw, in territory Sr Pastora claims he controls.

The guerrilla leader says he has under his control around 6,500 sq km of territory in southern Nicaragua along the river, which forms the border with Costa Rica. But the area is mostly jungle and Arde does not control the river mouth into the Caribbean sea, and Arde's supply lines still have to run through Costa Rica as a result.

The other far-Right counter-revolutionary group, known as the Contras, who operate against the Nicaraguan Government from Honduras, can rely on unquestioning officials and the support of the Honduran and U.S. military to help their incursions into Nicaragua.

But in Costa Rica the Arde group is now feeling the effects of a shift in Costa Rican foreign policy.

Sr Angel Solano, the Costa Rican Minister for State Security has said: "We are *undergoing an improvement in* our relations with Nicaragua. We have a policy of neutrality and we are enforcing that in relation to the anti-Sandinistas here in Costa Rica."



Arde leaders complain of increasing harrassment, arms seizures and arrests. Sr Pastora has been refused entry to the country, and a senior official in the country's rural guard was recently threatened with dismissal for failing to arrest him when he was trying to get several hundred unarmed guerrillas admitted to Costa Rica as refugees. Costa Rica refused them entry.

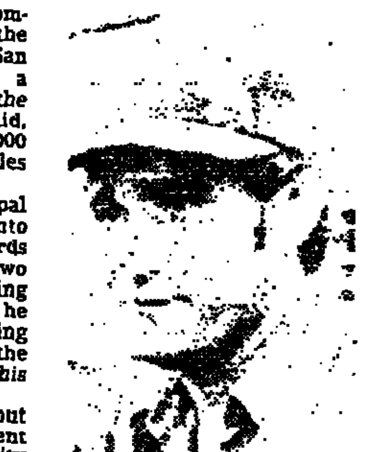
There are still Arde houses, maintenance bases, and communications centres on the Costa Rican side of the San Juan and Arde maintains a *political infrastructure in the* capital because, Sr Solano said, "we have only around 1,000 rural guards to patrol 320 miles of frontier."

At San Carlos, a principal guerrilla crossing point into Nicaragua, two rural guards are stationed, armed with two rifles and a non-functioning radio. When asked how he would go about preventing cladestine activities, one of the *guards could only shrug his* shoulders.

Ministers are trying to put flesh on the bones of President Luis Alberto Monge's neutrality policy, an effort made easier by the resignation of Sr Fernando Volio, the hard-line anti-Communist Foreign Minister, late last year.

For instance, to the chagrin of U.S. embassy officials in Costa Rica, 1,000 U.S. engineers were politely refused permission in January to build roads in the North of the country close to the frontier.

"It would be considered a provocation against Nicaragua by the Contadora group of countries, and would be badly interpreted by the international community," said Sr Solano. The Contadora group—Colombia, Mexico, Panama and Venezuela—is attempting to negotiate a peace plan for the area.



Pastora . . . former Sandinista

Again to the irritation of U.S. officials, President Monge gave his support to a January meeting in Quito of several Latin American debtor countries trying to establish a joint position on negotiations over the debt problems of the region. The appointment early this month of Sr Juan Villasusa, a Keynsian-style economist, to the post of Minister of Planning also signifies a distancing of the Monge Government from the monetarist economic policies favoured by the U.S. Administration and the International Monetary Fund.

Reasons for the policy shift are not difficult to find. The severe economic constraints on the country, mainly caused by its foreign debt—$630m of debt was recently rescheduled have not yet caused serious violence on the streets. But austerity measures imposed by the IMF caused widespread civil protest last year.

Sr Solano said: "We are keeping a close watch on both the extreme Right and extreme *Left." Costa Rica does not yet* have a strong security apparatus, although the U.S. and Israel have started running training programmes for the security forces. An upsurge in political violence would create havoc in an easy-going country.

An open conflict with Nicaragua would also create serious rifts inside Costa Rica. Opposition politicians and prominent figures within the ruling Liberation Party point out that it could destabilise both the economy and the democratic political institutions that have been in place since 1948.

The Government needs the asistance of the U.S. whom it considers an ally but would prefer it to come in civilian not military form. As one Western diplomat in San Jose said "Costa Rica has looked into the abyss and seen Honduras lying there."

Chile likely to secure better 1984 loan terms

By Peter Montagnon, Euromarkets Correspondent

CHILE is expected to receive a substantial improvement in terms from its international bank creditors for the $780m loan it is seeking to cover its balance of payments needs for 1984.

Terms of the deal were negotiated in principle last week during talks between Sr Carlos Caceres, Finance Minister, and *the committee of leading bank* creditors chaired by Manufacturers Hanover in New York.

But final ratification depends on a written statement from the International Monetary Fund confirming that Chile is in good standing with its economic programme.

Mr Jacques de Larosiere is expected to sign this statement within the next few days after which the proposed terms will be circulated to all creditor banks.

Bankers believe, however, that Chile might obtain a margin over eurocurrency rates of about 1½ per cent with a slightly lower rate for funds committed at a margin over U.S. prime. Last year Chile was charged margins of 2¼ and 2⅛ points respectively on its new loan of $1.3bn.

The new margins would put Chile between Mexico and Peru in terms of rates charged for 1984 borrowings. The IMF has never blocked its lending to Chile, though it did to Peru, but unlike Mexico, Chile has had to negotiate waivers from the IMF for failing to meet its economic performance criteria and last year its economic programme was dogged by the weakness of the copper price.

Nonetheless, Chile did manage to cut its current account balance of payments deficit to $540m last year from $1.16bn in 1982. Reserves at the end of the year stood at just over the IMF's target of $2bn, despite a drop of $550m.

The amount of the new loan is at the lower end of the expected range, partly because Chile now hopes to receive a loan from the IMF's Compensatory Financing Facility to offset its lower earnings from copper exports.

As part of this year's economic programme, Chile is to hold its budget deficit below 5 per cent of GDP, having failed to persuade the IMF to allow a bigger deficit in the interest of economic reflation.

Tough test for Glenn in Iowa Democrat caucus selections

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

SENATOR John Glenn faced a tough contest for second place in the Iowa caucuses yesterday as Democrats acros the state prepared to vote for a candidate to challenge President Reagan in November's elections.

The latest polls showed the Democratic front runner, former Vice-President Walter Mondale, way ahead of his seven rivals in the election year's first major test of popular presidential preferences. The Owa Democrats were due to gather in 2,495 precinct caucuses to start the official process of selecting state delegates to July's Democratic national convention late last night.

A poll taken by the Des Moines Register, the state's leading newspaper, gave Mr Mondale 53 per cent among potential caucus participants. Senator John Glenn of Ohio came a distant second with 12 per cent, followed by Senator Alan Cranston of California with 9 per cent and Senator Gary Hart of Colorado with 8 per cent.

But Mr Glenn's second-running position looked much more shaky in a separate survey of those who said they were sure to vote last night, which showed Mr Mondale with 44 per cent support. The poll gave Mr Cranston second place with 17 per cent, Mr Hart third place with 14 per cent and Mr Glenn only 11 per cent.

The results of the second poll, while more eye-catching than the first, were based on a much smaller sample with a wide margin of error of 12 percentage points. Pollsters in Des Moines said that the figures should be interpreted as showing little more than that the three men were running neck and neck.

For Mr Mondale, the aim was not to lose momentum in advance of next week's vote in the first primary, in New Hampshire, by performing less well than expected in Iowa. For the past few days, his powerful organisation has concentrated on fighting against apathy and making sure his supporters attend the caucuses.

Fro Mr Glenn, failure to win second place would be a severe setback—even though he has not put as much effort into Iowa as most of his competitors. Mr Cranston and Mr Hart wanted to show strongly in second or third place to maintain credibility as candidates, while Mr George McGovern of South Dakota, who has conducted a serious and well-received campaign in Iowa, was hoping for at least fourth.

Mr Reagan went out of his way to try to steal some of the Democrat's thunder with a rapid trip to Iowa yesterday to attend rallies preceding the Republican caucuses, in which he faces no serious opposition for his party's nomination.

Eastern Airline pilots accept wage cuts plan

BY WILLIAM HALL IN NEW YORK

THE PROSPECTS for Eastern Airlines' financial recovery have improved following its pilots' decision to accept significant wage cuts in return for shares in the company, formerly the biggest U.S. domestic carrier.

The pilots' acceptance of a management plan for employees to accept wage cuts of around a fifth was the last major hurdle in Eastern's battle for financial survival.

Eastern's bankers agreed to support the company as long as employees accepted cost-cutting measures aimed at restoring profitability.

The company aims to save over $350m on operating costs through wage cuts of $290m and another $75m with productivity gains.

Eastern employees will get a 25 per cent stake in the company, plus several seats on the board. Pilots were expected to make a bigger percentage sacrifice on pay than other union groups and have proved the most difficult to convince.

Brazil defence industry raises doubts over U.S. pact

BY ANDREW WHITLEY, IN RIO DE JANEIRO

BRAZIL'S powerful defence industry has reacted with hostility to a Memorandum of Understanding on military-industrial co-operation signed earlier this month between the U.S. and Brazilian governments.

The memorandum provides for the transfer of sophisticated U.S. military technology to the Brazilian arms industry. But it also imposes controls, for the first time, on an export business expected to earn Brazil over $2bn this year.

General Danilo Venturini, a top military aide of President Joao Figueiredo, confirmed publicly last week that the U.S. accord—a highlight of the recent visit by Mr George Shultz, the U.S. Secretary of State—could indeed limit the country's arms exports.

The General, who is Secretary General of Brazil's National Security Council, was responding to perceptible rumbles of *discontent from what looks like an alliance of nationalist-*minded officers and the civilian-run weapons manufacturing industry, together lobbying to nullify the negative aspects of the U.S. accord.

The Brazilian arms industry owes its growth, and its spectacular success abroad, to former President Ernesto Geisel's 1977 rupture of Brazil's bilateral military pact with the U.S.

Most outspoken in his opposition to any external veto on Brazil's arms customers has been, predictably, Sr Jose Luiz Whitaker, president of Engesa, which claims to be the world's largest manufacturer of wheeled armoured vehicles. Significantly, Sr Whitaker also heads Imbel, the Government's co-ordinating body for the arms *industry.*

U.S. diplomats suggest that the new, jointly manufactured equipment is aimed largely for the modernisation of the Brazilian armed forces, a defence also adopted by General Venturini. But this proposal is ridiculed by the industry, which points out that its viability depends entirely on exports.

Apart from the military-industrial memorandum, two other less controversial agreements were signed during the Shultz visit. These covered co-operation in science and technology, and in the field of nuclear energy.

The nuclear pact releases Brazil from its previous obligation to purchase nuclear fuel only from the U.S. for its first nuclear reactor, Angra-1. The *power station, built by Westing-*house, has still not come into commercial operation after a long series of technical setbacks.

In effect, the agreement ratifies an interim settlement reached last year in the long-standing dispute between Brazil and the U.S. over the former's nuclear energy programme. In future, Brazil will be able to purchase enriched nuclear fuel from the West European consortium, Urenco.

U.S. industry took a number of significant steps forward in Brazil as a result of the Secretary of State's trip. Most notably, in the field of hydroelectric power, previously dominated by West European industry, U.S. companies signed contracts expected to lead to orders worth over $300m.

Mr Shultz was, however, less successful in persuading Brazil to relax its strict limits on foreign investment in retail banking and computers. IBM has long been pressing hard to enter the fast-growing micro and mini computer sector in Brazil.

The U.S. argument that Brazil could help reduce its present reliance on foreign loans to cover its large balance of payments deficit by promoting greater foreign investment did not go down well with a government whose longstanding complaints about U.S. trade protectionism have reached a new peak.

WORLD TRADE NEWS

Pressure for fresh trade talks round 'may be premature'

BY CHRISTIAN TYLER, TRADE EDITOR

JAPANESE and American political pressure for a new round of world trade negotiations could be premature, Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), warned last night.

He said he welcomed the idea of combatting protectionism by multilateral negotiation, but cautioned that the ground "should be prepared with the greatest possible care."

A premature initiative would be counter-productive if it meant that immediate problems were shelved "in the hope that they can be swept up in the general settlement."

Mr Dunkel said countries should set about realising the commitments they had made in the OECD and at the *seven-nation summit in Williamsburg* last year to halt and then reverse protectionist measures.

"Preparations for a new multilateral round could run in parallel with this process and be greatly facilitated by it," he told a meeting of the European-Atlantic group in London.

Mr Dunkel's speech is the clearest indication yet that the Gatt secretariat is nervous of the prospect of a years-long negotiation until its existing work programme has been completed and the member nations have properly identified what it is they want to negotiate.

He stressed the importance of persuading the indebted newly-industrialising countries such as Brazil that they had something to gain from a new round.

The industrialised world was right to urge the NICs to accept more of the obligations of belonging to the Gatt's free-trade framework but would not be convincing so long as they continued to erect bilateral, trade-managing systems for overcoming their own economic adjustment problems.

Developed countries had been giving out the "wrong signals" in recent years by *imposing* import restrictions on Third World products such as textiles, steel, footwear and wrist watches. That did not encourage the newly-industrialised countries to continue opening their markets in the face of a suspicion that the Gatt system was "tilted against them."

But Mr Dunkel said he could discern "the beginning of a move in a number of capitals" to find lasting solutions to the problems which had created protectionist devices such as national subsidies, special incentive for high technology industries and the contagious "so-called voluntary export restraints."

He welcomed the idea of a new trade initiative because it was easier to settle difficult issues as a package, and multilateral negotiation, rather than power politics, was the only way out of the present impasse.

"However, to reach the stage of negotiation requires that we survive the stresses of the next few months without series conflict and that the ground be prepared with the greatest possible care."

Saudi £120m contract for Krupp subsidiary

By Rupert Cornwell in Bonn

KRUPP POLYSIUS, the plant manufacturing subsidiary of the West German diversified industrial group, has won a DM 480m (£120m) turnkey contract to supply a new cement production unit in Saudi Arabia.

The order, claimed to be the largest plant order won so far this year by a West German concern, has gone to a consortium comprising Krupp Polysius and another West German company, Bilfinger, Berger Bau AG.

The order has been placed by the Yamama Saudi Cement to expand its existing facilities close to Riyadh, which already comprise five cement production units. When this sixth one goes on stream in summer 1986, total capacity will go up by 3,100 tonnes to 8,700 tonnes a day.

The contract means Krupp now has DM 1bn-worth of orders in hand in Saudi Arabia.

Finn Barre adds from Riyadh: The Saudi-German telecommunications firm of Detecon Al-Saudia (Detesad) has recently won a three-year Riyals 200m (£40m) operations and maintenance contract from the Ministry of Posts, Telegraphs and Telephones.

Detesad is a joint venture between Detecon (Deutsche-telepost Consulting) and Beta Company of Saudi Arabia. Detecon was established by the West German Bundespost.

Detesad bid against seven other companies for the contract to operate and maintain the kingdom's telex and telegraph networks. It is *currently finishing a previous* Riyals 250m contract to perform operations and maintenance on the telex network.

Detesad officials say government satisfaction with their previous performance led to victory in bidding.

The contract covers maintenance, operation and some upgrading of the present telex network, which contains over 15,000 telex connections. In addition to the previous contract is maintenance of the kingdom's telegraph system.

During the contract period, the number of expatriate workers is expected to drop from 505 to 245.

Taiwan open market pledge

TAIPEI-TAIWAN may lift all measures protecting local industry and widen market opportunities for importers in three to five years, Mr Chao Yao-tung, Economics Minister, said yesterday.

Mr Chao told a business meeting that Taiwan is under growth pressure from its major trading partners to open its markets. Gradually calling off protectionist measures would serve to upgrade the quality of national products and create competition in international markets, he added.

Mr Chao's remarks follow recent efforts by Taiwan to cut its trade surplus with the U.S., which reached $6.7bn (£4.7bn) last year.

Taiwan has cut tariffs and lifted controls on imports of more than 00 foreign products since last year, set up a committee to study methods to reduce the trade gap, and promised tohelp U.S. business men market their products in Taiwan.

Taiwan fears that the growing imbalance might hurt its preferential trade status with the U.S., under which it exports each year more than 30 per cent of its products worth more than $3bn. Reuter

Christian Tyler examines a conflict between national security and Western freedoms

When mental luggage must be declared

A SCIENTIST from Bell Laboratories was taking his champion chess computer to a convention in Moscow. He was stopped by a U.S. customs officer who demanded to know if the machine had military value.

"Well, I guess it does," the scientist replied after a pause. "If you dropped it from an aeroplane and it fell on someone's head, it would sure as hell kill them."

Two days before an international symposium held by the Society of Photo-optical Instrumentation Engineers in August, 1982, the Pentagon had 150 research papers withdrawn even though the subject matter was not classified. Several months after the conference, the papers were "cleared."

Six Chinese students at the University of Michigan were detained by the FBI and Customs on their way home through New York. Their notebooks, textbooks, personal correspondence and tapes were taken away.

Eventually, all the material was sent on to them. The tapes turned out to be recordings of rock music. The Chinese authorities retaliated by arresting and expelling an American teacher in Peking.

These three instances of administrative zeal illustrate President Reagan's determination to prevent the leak on sensitive technology to the Communist world. But they also illustrate a growing conflict between the demands of national security and the traditional freedoms of Western democracy.

U.S. law empowers the authorities to license exports not only of equipment, computer software, drawings and documents but even—as became clear this week—the knowledge that people carry in their head.

Furthermore, American export controls continue to apply even after hardware or knowledge has crossed the ocean and taken up residence in another country.

The extent of U.S. control over export and re-exports is described in an internal study by ICL, the leading British-owned computer company, which came to light last week.

According to this study, if ICL employs a U.S. engineer to write a report or piece of software, his work is controlled by U.S. law and so is the use to which that work is put.

"ICL has in fact had to obtain U.S. export licences to cover knowledge carried in the heads of American engineers . . . U.S. control is never lost over personal know-how that is exported."

The study also claims that the Pentagon is behind attempts to get the Nato countries and Japan to introduce their own legislation, modelled on U.S. law, for the control of high technology exports not only to the Eastern bloc but worldwide.

Such controls would cover services like consultancy, training, professional visits, and perhaps even contract negotiations.

Decisions about what should go on the Nato embargo list are made in secret at the U.S. Embassy in Paris by officials from member-states.

It is known that control of "disembodied" technology is being discussed in that forum, the Coordinating Committee for Multilateral Export Controls (CoCom).

There is said to be unanimity about the objective; to prevent the Soviet bloc acquiring military valuable techniques, but there is no meeting of minds yet on where to draw the line.

For example, West Germany, like the U.S., has domestic legislation that may be appropriate for controlling invisible technology. Britain, among others, does not, and refuses absolutely to legislate in a way that would limit its citizens' freedom of movement.

British technicians, scientists, businessmen — and journalists for that matter—are not required to get specific permission from the Government before travelling to the Soviet bloc or meeting visitors from those countries.

The Foreign Office argues that the Official Secrets Act is sufficient for those to whom it applies, but it also tries to make sure it has the chance to brief people with technical knowledge on what they should or should not disclose when they get abroad.

U.S. licensing requirements have already created controversy and alarm among American academics and scientists. Their fear is that the dynamism of U.S. research is being stifled.

Their alarm is now being echoed in Europe. The British Government, while formally protesting about what is claims is persistent violation of its sovereignty, is anxious not to provoke a confrontation with the U.S. in CoCom. Officials worry that open disagreement would merely encourage the U.S. to get tougher still.

Key Swiss industries report improved trade volume

BY JOHN WICKS IN ZURICH

SWITZERLAND'S two key industries — chemicals and engineering—have reported an improvement in their foreign-trade volumes. The importance of these two export-oriented industries within the Swiss economy underlines a general recovery in the country's manufacturing sector.

According to the Swiss Society of Chemical Industries (SGCI), chemical and pharmaceutical exports rose by 5.8 per cent last year to just over SwFr 11.5bn (£3.6bn).

This is not only considerably *higher than the below-inflation* growth rate of 2.3 per cent booked for 1982, but also well up on the average 2 per cent expansion of Swiss exports as a whole in 1983.

Only organic chemicals showed a drop in export value —by 1.8 per cent to just under SwFr 2.2bn last year. Among leading product groups, pharmaceuticals showed a 5.9 per cent increase to SwFr 4.5bn, dyestuffs and allied products one of 6.8 per cent to SwFr 1.42bn, and agro-chemicals a 15.5 per cent growth rate to SwFr 734m.

For the current year, the SGCI says there will have to be a lasting improvement in such problems as international indebtedness, foreign-exchange fluctuations and protectionism for the chemical industry to experience a permanent expansion of its activities.

The society nevertheless expresses its confidence in view of the high level of research and speciality production.

The crisis-ridden machine-building and metals industry reports an improvement in new-order volume for the fourth quarter of last year, following unchanged or declining figures for the preceding nine months.

In comparison with the third quarter, foreign orders rose by 4.1 per cent and domestic business—the result of a large single order—by 21.1 per cent.

At the end of 1983, orders on hand thus rose to the equivalent of 5.9 months' production, compared with the all-time low of 5.7 months booked at the end of September.

While this is still very low, the trade association VSM says the fourth quarter marked something of a turn in the industry's fortunes, with the upturn in the world economy gradually having a positive effect on the Swiss capital-goods industry.

However, it adds that this should not give rise to any illusions. "It remains to be seen how long this development will last and whether it will spread over the industry."

The Berne-based civil-engineering company A. Maurer, has received an order from the Chinese People's Republic to build a 5,000-annual-tonne cellophane factory near Peking. This would be the second contract of its kind from China for Maurer. *The project cost is put at* SwFr 37m.

Van Doorne in pact with Volvo

BY WALTER ELLIS IN AMSTERDAM

VAN DOORNE Transmissie, a Dutch gearbox designer, has signed a contract with Volvo Car for the production by Volvo *of its revolutionary CVT* automatic transmission system.

The CVT (continuously variable transmission) system has been under development by Van Doorne for much of the last decade and will be exported initially to Ford and Fiat for use in several of their smaller cars.

Mr Henry Ford II, head of the Ford Motor Company, last year praised the CVT gearbox and said that Ford would like to produce its own version, for use initially in the Ford Fiesta, using parts sent over from Van Doorne's factory in Tilburg.

Instead, Volvo Car, an independent associate of Volvo of Sweden, will assemble the transmissions and ship them to the U.S. and Italy. Volvo itself may well begin use of the CVT, as may several Japanese carmakers. Actual assembly will take place in Volvo's plant in Sint Truiden, Belgium, just over the border from Holland.

Tripoli rail system order

BY LESLIE COLITT IN BERLIN

A HUNGARIAN design consultancy, Uvaterv, has won a $28m (£20m) contract to design the urban railway system for Tripoli, Libya.

The railway is to run 20 kilometers underground, and 50 kilometers above the surface. Uvaterv is to submit a blueprint for approval in 15 months and planning is expected to take nearly 5½ years.

Hungary's largest engineering company, Ganz-Mavag, said it has $90m-worth of hard currency orders on its books this year and next. It will export hydro-power machinery complete pumping stations for to India and Nigeria and Egypt as well as trains for Tunisia.

Parliament given veto right over Telecom

BY IVOR OWEN

PARLIAMENT is to be given the right to veto "key licences" issued to British Telecom, Mercury and other principal operators of public services under the Telecommunications Bill, the Government announced in the House of Lords last night.

The Lords gave a general welcome to what Lord Bruce, a Labour peer, described as a very constructive response "to the strong protests that in its present form the Bill provides no opportunity for the Commons or the Lords to discuss or vote upon the draft licence already issued to British Telecom."

Lord Cockfield said the Government recognised that parliament should have the opportunity to scrutinise the licences issued to British Telecom, Mercury, the Hull Telephone system and the two cellular radio companies, operated by British Telecom/Securicor and Racal-Millicom.

Lord Cockfield added that the Government believed it would have been wrong to single out British Telecom, and said an amendment to be introduced at the report stage of the Bill would open the way for Parliament to scrutinise all the licences which set the tone for the operations permitted by the Bill.

There would be no question of parliament being able to consider the thousands of licences issued by British Telecom for private telecommunications systems.

Without specifying any timescale, Lord Mackay announced that the Government intended to make a statement on the extent to which the re-sale of circuits leased from British Telecom would be permitted, and he appealed to Conservative peers, who want to amend the Bill so as to provide greater liberalisation of telecommunications services to take it into account.

Lord MacIntosh (Labour) underlined the financial implications which could flow from such a statement by contending that it could even call into question the profitability, independence and viability of British Telecom and affect the purchase price when the shares in the public limited company it is to become are offered for sale.

Lord Mackay explained that the statement would not involve the tabling of new amendments by the Government.

U.S. group takes over at Aston Martin

By John Griffiths

ASTON MARTIN Lagonda (AML), the 70-year-old luxury car maker, has become wholly owned by its North American distributor.

Under an agreement announced yesterday, CH Industrials, the British public industrial group, has sold its 45 per cent shareholding in the car company to Automotive Investments of the U.S. for £833,000. Automotive sold to CH its 50 per cent stake in Aston Martin Tickford – an engineering and coachwork company set up several years ago – for £133,500.

Under a deal announced last July, Automotive Investments bought 55 per cent of AML and 50 per cent of Tickford from Victor Gauntlett's Pace Petroleum organisation. Mr Gauntlett has sold his Pace interests, and since last summer has been full time executive chairman of the car-making company.

Automotive is backing AML's plans to produce a new car, which requires £5m investment. The car will be aimed at the £30,000 sector at present occupied by the top models such as those of Porsche and Mercedes.

As a minority shareholder, CH Industrial said it would have been difficult to fund the investment.

● Lotus, the sports car maker, has made Mr Mark Thatcher, son of the UK Prime Minister, director-elect of its North American sales subsidiary.

Kinnock gives a hand to Benn

BY OUR POLITICAL STAFF

MR NEIL KINNOCK, the Labour leader, yesterday visited Chesterfield in Derbyshire in support of Mr Tony Benn, the left-wing former Energy Minister who is seeking to return to parliament in a by-election on March 1. He described him as a "distinguished public figure and a first-class candidate."

Mr Kinnock's campaign visit was despite concern among the Labour leadership at the selection of Mr Benn as candidate. Mr Benn is widely blamed for causing many of the divisions within the party which helped to cost it the last general election.

The Labour leader did not deny yesterday that there were differences. Mr Benn was not present at a press conference given by Mr Kinnock, and the latter conceded that it might be unprecedented at a by-election for a candidate not to appear with his party leader. "But I'm a new leader and he's a busy candidate."

Mr Tony Benn

Mr Neil Kinnock

Mr Kinnock did not name Mr Benn when, later in the day, he predicted that any efforts to resurrect the *party's internal* squabbles would be "very short-lived."

The whole Labour movement was now united and anyone who tried to dilute that unity would be quickly isolated, he said. "Anyone who attempts to divert the party to turn it inwards, deserves and shall get the loathing of the whole movement."

Mr Kinnock and Mr Benn did share a platform at a public meeting last night. They also struggled together through the market place, presumably for the benefit of the television cameras.

Labour had a majority of about 8,000 at the general election (the by-election is caused by the resignation of Mr Eric Varley, who left parliament for industry.) Mr Kenneth Clarke, the Health Minister, who visited the constituency yesterday in support of the Conservative candidate, Mr Nicholas Bourne, said that Mr Benn – even if he won – was a declining force in British politics.

"He is a fading political figure and I don't think the course of British history is going to be much affected by what Mr Benn does from now on," he said.

Mr Benn, aged 58, first entered parliament in 1950. He represented a Bristol constituency until he was defeated at the last general election.

Decision day for Reuters

BY CHARLES BATCHELOR

THE TRUSTEES of Reuters, the international newsagency and business information group, meet today to give their verdict on the agency's plans for a public flotation.

Trustees have had details of Reuters proposals in their hands for the past two months. Reuters has not disclosed details of the plan, but it is expected to include the retention of a majority of the voting rights in the hands of existing shareholders and possibly the creation of a "golden share" to be held by the trustees.

This aspect has been criticized by the National Association of Pension Funds and the British Assurance Association. They, and many City of London institutional investors, are opposed to different classes of share capital.

Reuters appears confident that its flotation plan will be approved, fearing, at worst, that minor points of detail may have to be revised.

Trustees will be meeting without their chairman, Mr Angus McLachlan, the Australian newspaper representative. The chair is expected to be taken by Mr Geoffrey Upton, representing New Zealand press interests.

Mr McLachlan, who is indisposed issued a strongly-worded statement last November denying that the trustees would "rubber stamp" the proposals.

A flotation, which is expected to take place in both London and New York in May, could be expected to value the newsagency at at least £1bn on the basis of the market valuations of other companies in this field.

Reuters trustees are appointed to oversee the Reuters Trust Agreement of 1953, which is intended to ensure that the agency's integrity, independence and freedom from bias are preserved

Property tax law could raise public spending

BY ROBIN PAULEY

THE GOVERNMENT is likely to have to add about £1.5bn to its planned public expenditure totals for 1985–86 – and for the years beyond – because of the effect of the controversial Rates Bill on local property taxes.

The Bill, now passing through parliament, seeks to curb high-spending local councils. But the likely savings on public expenditure, from a cash freeze in 1985–86 in the 17 councils whose budgets are most in excess of government targets, would be a maximum £198m.

The unexpected extra costs to the Treasury from the Bill arise from a series of complicated interactions between the Government's target budgets for councils and its system of distributing grants.

Even after a freeze on the 17 council s spending – implying a 5 per cent cut in real terms and rate reductions by most of these councils – their spending levels would still be about £590m over target.

Electricity 'set for five years of price stability'

BY MAURICE SAMUELSON

THE ELECTRICITY industry is seeking to keep tariffs stable for at least a further three years. It made clear yesterday that it would not welcome any further Government pressure for annual price rises.

Mr Alan Plumpton, the Electricity Council's deputy chairman, said the supply industry was in the midst "of at least a five-year period of price stability." The price balance was swinging in favour of electricity and "we are virtually certain that this is a long-term trend," he said.

His remarks come after the industry's grudging acceptance of a 2 per cent rise in domestic tariffs from April 1-1 per cent less than that favoured by the Treasury to meet the industry's external financing limit.

Last weekend the Government published sections of a report by the accountants Coopers and Lybrand showing that consumers were being charged more than necessary because of confusion over the calculation of bulk tariffs.

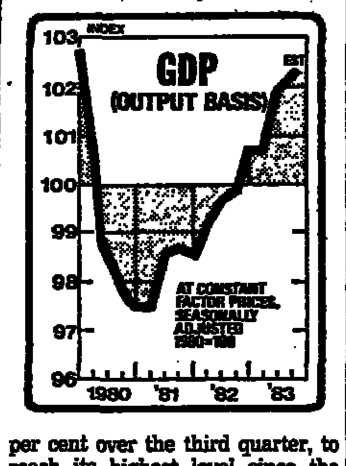
UK output rose 2.1% last year

By Philip Stephens

BRITAIN'S output expanded by 2.1 per cent last year after a 1.3 per cent rise in 1982, according to provisional figures issued yesterday by the Central Statistical Office (CSO).

The rise is regarded as consistent with the Government's expectation of 3 per cent growth in the economy during the year, because of substantial discrepancies between different measures of gross domestic product (GDP).

The figures given by the CSO show that during the last three months of 1983 output rose by 0.5



per cent over the third quarter, to reach its highest level since the beginning of 1980.

The output measure of GDP has none the less lagged significantly behind the other two main indicators of economic activity, income and expenditure, mainly due to statistical distortions.

In its forecasts, the Treasury averages all three measures, it is confident that full data to be released next month will show growth at about 3 per cent.

Last year's increase in output was spread fairly broadly throughout the economy, with distribution and communications showing the strongest gains, but agriculture falling back from exceptionally high levels in 1982.

The rate of growth slowed in the last three months, however, from the 1.2 per cent achieved in the third quarter. That reflected the exceptionally high level of construction and the boom in car sales between June and September.

Long-term rates 'on decline'

LONG-TERM interest rates in Britain were probably on a declining trend and likely to average 3¼ to 3½ per cent in real terms over the next two or three decades, Mr Gordon Pepper, joint senior partner with W. Greenwell, the City of London brokers, said yesterday.

After adjustment for inflation, borrowing costs were likely to remain significantly higher than the average over the post-war period as a whole, he added.

Interest rates would fall, however, from present high levels as a delayed response to the sharp drop in inflation led to lower demand for credit.

Mr Pepper's comments, made in a lecture to the Faculty of Actuaries, were designed to illustrate the level of real returns on long-term government stock which might be expected by pension funds and other institutions with liabilities stretching over decades.

● **FIRE DAMAGE** losses in Britain last year soared to £565.6m, more than 50 per cent higher than in 1982, the British Insurance Association said.

Almost one third of this record bill resulted from one fire at an army depot at Donnington, Shropshire. It was Britain's largest individual fire and caused £165m worth of damage.

● **MINERS' UNION** leaders in Scotland failed to win support for an all-out strike over colliery closures and a wage demand.

● **A STRIKE** by trim shop workers at Austin Rover's car assembly plant at Cowley, Oxford, has ended. The dispute over job transfers had disrupted output for more than two weeks.

● **DEPLOYMENT** of the British contingent in the multinational force in Lebanon is likely to have cost just over £2m in the present financial year. The force was withdrawn two weeks ago.

● **MR PETER WALKER**, the Energy Secretary, denied in the House of Commons that he was preparing a timetable for privatisation of the state-owned energy industries. But *he confirmed* that he was "considering the scope" for transfers to the private sector.

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Capital spending by chemical industry up 14%

BY CARLA RAPOPORT

CAPITAL SPENDING in Britain's chemical industry jumped by 14 per cent in the first nine months of last year. It was the first increase in real spending for five years.

The Chemical Industries Association said new capital spending totalled £579m. Using 1980 constant prices, this works out at an increase of 14 per cent and compares with a real decline in spending of 17 per cent in 1982.

"The industry is not building big plants. Rather, it is spending more money on improving the efficiency and technology of its older plants," Mr Keith Wey, the association's senior economist, said yesterday.

UK chemical output showed a good recovery last year, with a 6 per cent improvement to £20.5bn. This performance was boosted by the strength of domestic demand, which expanded by 9 per cent. Growth was strongest in organic chemicals, plastics and dyestuffs.

While exports advanced last year, the pace of imports growth in the chemicals sector was unusually high. Plastics imports rose sharply in the first three quarters of 1983, by 27 per cent in value terms. Overall, chemical imports advanced by 20 per cent in the first three quarters.

According to the association, imports now account for about 34 per cent of the UK chemical market in volume terms, compared with 27 per cent in 1980. The surge in imports last year, according to Mr Wey, was due to the strong growth in UK demand, the strength of sterling against the D-mark and high UK energy costs.

A number of international chemical companies with operations in Britain have rationalised their UK facilities in the past few years and switched a fair amount of their purchases to continental-based operations.

Prices continued to improve last year, while lower raw material costs helped to improve profit margins. The latest average earnings index for the industry showed an 8.5 per cent increase over the previous year, according to the association.

It expects the recovery to last through the first half of 1984, but it is more cautious about prospects for the second half-year

Thatcher's Cabinet accused of losing touch

The second term of Mrs Margaret Thatcher (right) is causing unease even among the Government's own parliamentary supporters. There have been a succession of difficulties and a recurrence of peripheral, but nagging "scandals." Peter Riddell, Political Editor, assesses the criticisms that the reshuffled Cabinet is lacking a sense of political awareness.

"I HAVE a feeling that it will be downhill from now on – Mrs Thatcher is concentrating on foreign affairs and getting out of touch."

This comment by a senior Conservative MP typifies a growing sense of unease among backbenchers at Westminster. This talk is not confined to the so-called "wets" – the more liberal members of the party – or to disappointed seekers after political office. The worries are shared by loyalists and are being focused on political weaknesses among some of Mrs Thatcher's closest advisers and on the balance within the Cabinet.

During her first term, and particularly after autumn 1981, Mrs Thatcher had an effective political team which worked well and helped to win last June's election victory. But the team changed last year with a new party chairman, a new parliamentary private secretary and a major ministerial reshuffle. The critics argue that the replacements lack the effectiveness of their predecessors.

The problems should not be exaggerated, however. The Conservative Party continues to enjoy a remarkably high standing in the opinion polls, the opposition remains divided and the Prime Minister herself seems as determined as ever.

Yet there is often a time-lag before a weakening at the centre becomes apparent. The same tell-tale signs which appeared after the Harold Macmillan and Harold Wilson election victories in 1959 and 1966 have started to be seen.

There has been a succession of difficulties. There was the mishandling of the issues of the U.S. invasion of Grenada and of the ban on union membership at the Government's secret monitoring centre GCHQ.

There has been the recurrence of apparently peripheral but nagging "scandals" such as the resignation of Mr Cecil Parkinson, the Trade and Industry Secretary, because of his affair with his former secretary.

Now there is the question of Mrs Thatcher's son, Mark, and his business association with Cementation, a UK company, in winning a contract in Oman. Mrs Thatcher has come under pressure to explain her own role, on a visit to Oman, in promoting the contract. She has strenuously denied discriminating between companies in trying to win orders for Britain.

Ever sensitive to changes in political mood, Mr John Biffen, Leader of the House of Commons, went out of his way in a weekend speech to reject any comparison with the undermining of government credibility in the early 1960s. He said Britain's position was being strengthened in "the real world."

As one former Cabinet minister sympathethic to Mrs Thatcher remarked, "It all needs careful handling. If the domestic scene is undramatic, she's got to work hard to keep the political initiative. Talking to the Soviet Union is all very well, but the trouble is she'll start to believe she really is a world statesman."

At present, the criticisms are concentrated more on Mrs Thatcher's advisers than on herself and mainly turn on the theme that Downing Street is out of touch.

There are several lines of attack. First, there is Mr Michael Alison, her parliamentary private secretary. His job is to act as the Prime Minister's eyes and ears at Westminster, picking up the gossip and backbench opinion. Mr Alison, a former minister of state at the Department of Employment, is universally liked and trusted, but he is a shy and reserved man.

As one of his colleagues remarked: "What you need in that job is a bit of a boozer who will go into the bars talking to everyone." Mr Alison, a strong evangelical Christian, is not that. New MPs complain of having little contact with him.

Consequently, some MPs are suggesting that Mrs Thatcher sould appoint a second parliamentary secretary – possibly from among the younger intake – as other prime ministers have done in the past.

A related criticism is that Downing Street has become more isolated. Some ministers as well as backbenchers argue that the political advisers around Mrs Thatcher – as distinct from the Civil Service private secretaries – are zealots without any roots in the party. Mr John Redwood, the new head of the policy unit, is seen by officials as a sharp and clever man who has yet to show that he has political weight.

Downing Street officials have developed a siege mentality towards what they see as unjustified press and Labour attacks over Mr Mark Thatcher's involvement with the Oman contract. The result has been to make the Prime Minister and her advisers prickly and defensive.

Mr John Selwyn Gummer, the party chairman, is also seen by some MPs as lacking the political weight of Mr Parkinson, his predecessor. In part, this is not his fault since he is required to combine the chairmanship with the post of Minister of State at the Department of Employment.

There are broader doubts about the balance of the Cabinet. The argument is that the ministerial changes last year weakened the public impact of the Government. Mr Nigel Lawson, the Chancellor of the Exchequer, and Mr Leon Brittan, the Home Secretary, have considerable influence with Mrs Thatcher and within Whitehall. But they have not, so far, established public reputations comparable to their predecessors Lord Whitelaw and Sir Geoffrey Howe.

On this view, there is an absence of good communicators such as Mr Kenneth Clarke, Minister for Health, or Mr Kenneth Baker, Minister for Information Technology, who are both outside the Cabinet. The criticism is underlined by the effectiveness of some of Labour's new front-bench team.

The critics feel that these points have been reinforced by Mrs Thatcher's failure to involve the Cabinet as a whole in the decision to ban union membership at GCHQ.

Overall, what has been missing has been a sense of political feel. Many MPs attribute this in part to the absence of Mr Parkinson. His role as a close and valued adviser of Mrs Thatcher is being appreciated in retrospect. Indeed, Mr Parkinson's stock is rising at Westminster after what is seen as his dignified behaviour in recent months.

After a rough personal period after his resignation in mid-October, Mr Parkinson is back on form and active behind the scenes.

There are even suggestions – unthinkable a couple of months ago – that he might be brought back to the Government in a future reshuffle to help correct the present weaknesses.

TECHNOLOGY

EDITED BY ALAN CANE

New weapon in the medical diagnostics armoury

Gene probes zoom in on herpes

By Stephanie Yanchinski

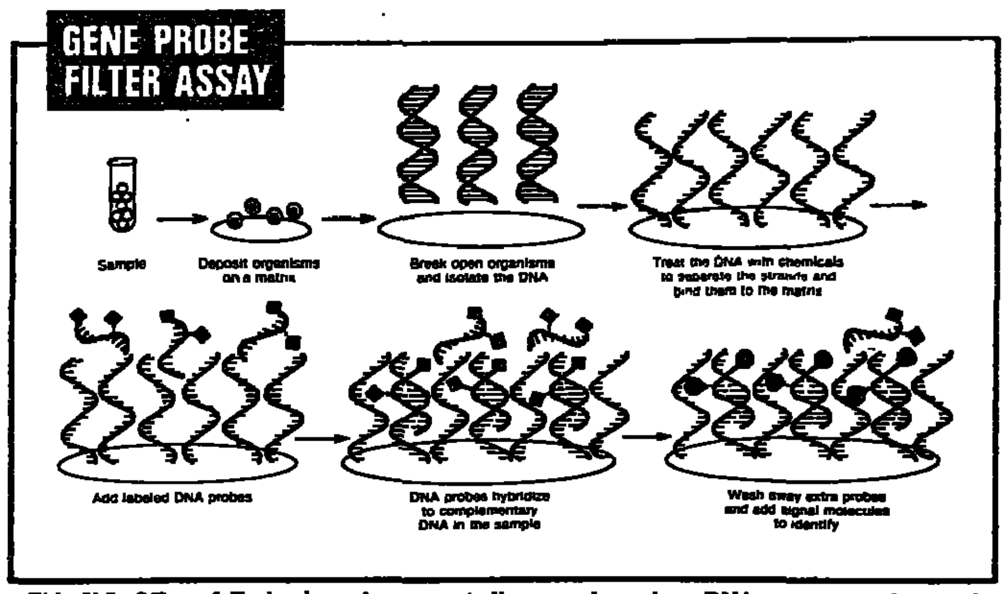
OLD-FASHIONED sex is giving biotechnology a chance to show its colours and at the same time is setting the stage for a battle between two of its hotttest technologies.

Monoclonal antibodies and gene probes are competing for a rapidly expanding market for diagnosing sexual diseases. This, however, is only a curtain-raiser for a protracted struggle for the diagnostics market as a whole, worth $500m a year today, and an estimated $3bn by 1990.

These two technologies offer advantages in speed, sensitivity and accuracy over current tests which rely on radio-isotopes. Such radioimmuno-assays have dominated the diagnostics market for 15 years, but they can be expensive, and present special problems in waste disposal and safe handling which require highly trained help. These difficulties are largely solved by biotechnology.

Monoclonal antibodies are natural chemicals which signal the presence of a microbe by attaching to special places on the surface of the cell coat called antigens. Each monoclonal antibody docks only with a particular antigen, according to the closeness of the molecular "fit" between the two.

Gene probes, on the other hand, are short sequences of DNA, the chemical of genetic inheritance, which recognise certain genes. Consequently they can be made to detect and bind to certain sequences in a microbe's DNA. Both monoclonal antibodies and gene probes are extremely sensitive, and can be used accurately with very small samples.



This U.S. Office of Technology Assessment diagram shows how DNA or gene probes work

Tagged

In order to visualise the action of these biological "disease detectives," they must be tagged either with radio-isotopes, fluorescent chemicals, or preferably protein dyes. These eliminate the need for expensive diagnostic equipment, showing the presence of infection by a simple colour change.

Current commercial versions give results in under an hour, and need only minute amounts of the patient's sample. This offers two enormous advantages for diagnosing sexual diseases, which normally means growing the sample for days to get enough microbe to test.

As standard-bearer for gene probe technology, a small American biotechnology company may have already tipped the balance in favour of probes with the recent launch of a new generation of kits for diagnosing infectious diseases.

The new kit picks up oral as well as genital herpes, a disease notoriously difficult to spot early. Dr Elazar Rabbani, president of Enzo Biochem Inc, the New York-based firm launching the kit, claims that the technology behind it makes possible "the detection of a range of other infectious diseases difficult to identify using traditional methods and monoclonal antibody technology."

Enzo's kit eliminates the need for tagging gene probes with expensive radioisotopes altogether, the most commonly used technology to date. One year ago Enzo acquired an exclusive license for a method of visualising gene probes developed by Dr David Ward, at Yale University which made gene probe technology commercially viable.

At the heart of the Yale method is a "reporter" complex consisting of a water soluble vitamin, and a protein found in egg white to which is attached a fluorescent chemical or dye. In clinical practice the patient's sample is flooded with a vast excess of first probe, which searches out the appropriate genes in the microbe's DNA, and then reporter complex, which makes the whole thing visible.

Johnson and Johnson, one of the world's largest health care companies, has agreed to market Enzo's kits through its subsidiary Ortho Diagnostic Systems Inc, and invested over $20m in the company.

Enzo's kits cost about $5.00 each and are destined for clinical research laboratories only. But Barry Weiner, Enzo's executive vice president, says that should results look promising, a commercial kit could be made available to hospitals in a matter of months, pending Food and Drug Administration approval.

Infection

Enzo is only one of a number of American biotechnology companies exploiting gene probes. Integrated Genetics, a Boston-based firm backed by Rothschilds' Biotechnology Investments Ltd, has a probe for salmonella in food, which could save manufacturers millions of dollars.

Amgen, a small California biotechnology company, is working with Abbott Laboratories to produce a test for cancer. Much further down the road, gene probes could be put to wider use in screening for inherited diseases, and occupational health hazards.

Meanwhile, monoclonal antibody manufacturers have not been idle. Syva, part of Syntex Corporation's diagnostics division, began marketing in the U.S. a 30-minute monoclonal test for Chlamydia, a type of infection currently surpassing gonorrhoea in frequency in that country. This is only the latest in a rash of monoclonal test kits from a number of companies, for diagnosing a range of conditions from hepatitis to pregnancy.

However, many technical obstacles remain to be overcome. Monoclonal antibody reagents are much less stable than DNA probes and more difficult to prepare and automate. Moreover, over time microbes subtly change their outer coats and thus their antigens. So a battery of monoclonals will be necessary to pick up all the variants, says Dr John Beale, head of biologicals at Burroughs Wellcome, another company "very interested" in gene probes.

Celltech, Britain's largest genetic engineering company, with a strong reputation in monoclonal technology, is also looking into gene probes. Jurek Sikorski, director of marketing for Boots Celltech Diagnostics Ltd, Celltech's new subsidiary, says that monoclonals are ideal for picking up protein indicators of disease in the blood and for imaging damaged tissue on X-ray film. However, in diagnostics, Sikorski says that the success of either technology depends on "how far the tests can be taken out of the laboratory and put alongside the patient or into the doctor's surgery."

Video recorder makers are down on the levy

Video & Film

By John Chittock

No matter how the law is written the moral dilemmas and commercial rewards are the issues

WHEN MORALISTS and commercial interests argue, a stubborn contest is generally assured. When issues of principle and profit are found to motivate contestants on both sides, emotional outrage and confusion seem inevitable.

Such is the prospect now emerging in the debate about levies or taxes on blank video-tape and VCRs. Recent events now look like raising the temperature of discussions to a full-scale war—with the tape manufacturers leading one side, and the representatives of the copyright owners and creative talents leading the other. The row extends to audio-tape, but the principles are similar.

Simply put, one powerful lobby is urging the government in UK to impose a levy on the sale of blank tapes and VCR machines. The aim is to compensate the financial loss which home taping is claimed to be causing the programme makers and artists. Understandably, the manufacturers are, to put it mildly, very displeased at this idea.

The ball has been in play for some years now, but last week in the UK the Tape Manufacturers Group declared open warfare. They were appalled by a massive 265-page report commissioned by the European Communities, and their shock centres not least on the authorship of the report—Gillian Davies, who just happens to be associate director general of the International Federation of Phonogram and Videogram Producers (IFPI) which represents the "other side." Cries of bias are easy to understand, however convincing the documentation.

Some countries, such as Sweden, West Germany, Austria and France have already introduced levies on tape or machines, but the EC report is the first major step towards issuing a directive to member countries to "harmonise" national policies regarding such levies.

The moral issues at stake centres on complex matters of copyright. Is it fair that a writer, film producer, musician or performer should receive a once-only payment for his or her work? The Western world acknowledges that subsequent copying and re-performance of that work should yield some reward or royalty for those involved, and generally this happens. But with the arrival of home video, of course, the traditional controls available are lost. Every one of Britain's 6m VCRs is breaking the law when recording other people's material without permission—but who cares?

The copyright owners and producers, through bodies such as the IFPI, care very much. The moral stance—the illegal plundering of so-called "intellectual property"—is easy to accept; but the commercial vested interest is also eyeing a possible royalty cake in the UK worth £70m or more, which rather overshadows the moralising.

On the other hand, the tape manufacturers—who fear a possible levy of £3 to £4 on an average blank videotape if the EC proposals are accepted—resort to their own moral posturing: "rough justice against the consumer." Mr Bill Fulton, managing director of Sony UK—gives the emotional screw an even harder turn by upholding the importance of the tape industry in creating jobs and improving the quality of life for countless people—"not least the blind and physically handicapped" (the former for audio tape).

The present government has so far shown no inclination to introduce a tape or VCR machine levy, even though the Whitford Committee on copyright proposed at least the latter when it reported in 1977. But such proposals emanate from a need to clear up various anomalies in the law which video has created.

No matter how the law is written or broken, the moral dilemmas and commercial rewards are the determining issues. One strong body of opinion says that since 66 per cent of home video viewing is of broadcast recordings — already paid for by the consumer—why should he pay again with a tape levy? The counter to this is that nearly 50 per cent of such recordings are feature films which the consumer would generally pay to see later at the cinema (or by buying or renting a pre-recorded videotape).

The argument rolls on further with the cry that such TV recordings are only time-shifting. However, according to a recent study by AGB, British VCR owners spend nearly 40 hours per week watching broadcast TV against 37 hours spent by non-VCR owners. The difference is almost wholly due to time-shifting. Which suggests that the possession of a VCR is extending the use of cheap television at the expense perhaps of renting or buying pre-recorded cassettes, even going to the cinema.

To the usual equations of disposable income should be thus added disposable time. And if the copyright owners, producers and distributors are suffering from home taping, so too are the cinema owners. How then is the levy to be shared?

Which is where another vexing issue enters the equation. There are some sectors of the moving picture industry which rely upon the so-called Eady Levy on cinema tickets. But with the dramatic decline in cinema admissions, this levy is now totally inadequate and the Minister responsible — Mr Kenneth Baker—is expected to abolish it soon in a major review of the film industry.

The needs for Eady include the National Film Finance Corporation, the National Film and Television School, the National Film Archive, even the Children's Film Foundation. All are non-commercial. Each provides, respectively, the crucially needed finance, archival footage, young talent and next generation of educated viewers upon which the industry depends for sustenance and development.

Such claims rely heavily on the emotional and moralising arguments. But they also should appeal to the vested commercial interests in video who ultimately would go out of business if the sources of moving pictures dried up.

Another lobby group (Lord Wilson, David Puttnam, and others) say: why not a voluntary levy: from the industry, for the good of the industry? That should satisfy the moral issues and plough some money back where it belongs. It might also serve to highlight the real nature of the row. Someone is being parasitical under the cloak of justice—creator, tape manufacturer or consumer?

Software

How to dodge an Exocet

A British computer company has developed software with which military engineers can practise the art of avoiding guided missiles.

With "an electronic warfare scenario generator," people can simulate on a computer screen the radiation emitted by objects such as heat-sensing rockets. The software, developed by Software Sciences of Farnborough, Hampshire, simulates up to 250 different radiation sources.

The company hopes to sell the software to Ministry of Defence research establishments. More information on 0252 544321.

Photography

Kodak's museum on the move

A BIT of Kodak's technical history in the shape of its museum is to move to the National Museum of Photography, Film and Television at Bradford.

Kodak's decision to donate the museum—now based at the company's headquarters at Harrow—comes at a time when the company's plans to expand the museum there had been shelved. Also many more exhibits will be able to be shown at Bradford and more people are likely to see Kodak's collection of cameras, films and photographs than ever before.

The museum was set up in 1927 and is one of the major collections of cameras and related equipment. The Kodak wing at Bradford will open next year.

هكذا من الأصل

THE ARTS

Emanuel Ax/St. Johns, Radio 3

Andrew Clements

Emanuel Ax ranged widely in yesterday's BBC lunchtime concert at St John's. Between Haydn's C major piano sonata Hob 48 and Beethoven's D minor Op 28 he placed Schoenberg's Six Little Piano Pieces Op 19. The pressurised, exquisitely detailed Schoenberg provided welcome contrast, for Mr Ax's approaches to Haydn and Beethoven proved strangely similar. Both sonatas emerged genial and trouble free; even the rather grandiose effects of the opening movement of the Haydn were shorn of any suggestion of *Sturm und Drang*, kept within the ambit of warm expressivity by the plentiful use of pedal and a tone that lacked any suggestion of forcefulness.

In Op 28 Ax emphasised the pastoral associations by selecting tempi for each of the movements which tended to iron out contrasts and took the sedate opening allegro as the norm: a fluid, swiftish Andante, relaxed scherzo and subdued finale. It provided civilised, ultimately soporific piano playing that omitted as much as it encompassed, especially in the last two movements. There is real humour where Ax only found mild amusement in the scherzo, and a fiercer intensity to drive some of the episodes in the rondo.

In Schoenberg's Op 19 also expression tended to be compressed into a narrower range than is perhaps ideal, but the careful attention to detail and the sheer naturalness of the phrasing amply compensated. With the warmth of St John's providing support he coloured each of the slower pieces with a halo of lingering overtones and realised the impressionistic gauzes of some of the whole-tone effects. Where elsewhere Ax's broad good humour sometimes threatened to lapse into blandness, a Brahms' Intermezzo offered as an encore provided the most comprehensive playing of the recital, finely orchestrated in terms of keyboard sonority, and shaping the phrases into bold, generous sweeps.

The Creation/Festival Hall

Dominic Gill

Klaus Tennstedt has frequently shown himself to be a judicious, sparkling interpreter of Haydn; on Sunday night this *Die Schöpfung*—sung in German by the London Philharmonic choir, with a fine trio of soloists, splendidly played by the LPO—was no exception.

The manner was set in the marvellous orchestral prelude, which contains in any case the most extraordinary music, of an almost Brahmsian lushness and complexity, in the whole oratorio: fine-spun, teeming with dark colour, intensely dramatic in its slow unfolding. The explosion on the word "Licht" was a fireball flash—and Haydn surely conceived it (especially after his recent discovery of Handel in London) as no less. It was welcome to hear the Chorus give their biggest numbers with as much careful nuance as fervour: the contrapuntal tracery of the three finales was very deftly voiced.

Benjamin Luxon was the baritone soloist, nobly resonant in his recitatives (and notably in the big "Leich öffnet sich"). Anthony Rolfe Johnson's tenor was strong and clear, perhaps once or twice over-solemn, gratifyingly exact of diction. The soprano Lucia Popp delivered her music with such irresistible relish and vitality and with such perfect intonation, that one readily forgave her the single expressive device which is becoming a mannerism—that persistent habit of giving every note which can conceivably bear one a little crescendo urge, destroying true, smooth cantabile.

It is intriguing to imagine how different the closing pages of *The Creation* would sound if Haydn had not chosen to gloss over the only scrap of dramatic irony the text contains, Uriel's last solo words, by setting it as *secco* recitative—Bach would never have let the chance go by. But Tennstedt tried no tricks: the final chorus ascended, grandly and jubilantly, into its roseate glow.

Trade Secrets/Albany Empire

Martin Hoyle

Jacqui Shapiro's play for The Women's Theatre Group, at the Albany in Deptford, covers familiar ground. The dilemma of the heterosexual feminist who misses a man while resenting men recalls Terry Johnson's *Unsuitable for Adults*. The horror of women confronted by sadistic pornography is out of Sarah Daniels's *Masterpieces*, some of whose lines Ms Shapiro echoes.

In a vulgarly opulent country house three women gather expectantly for a sociable weekend. A fourth arrives to announce that every man in the world is dead, victim of a male-destroying virus. The author scores telling points on the fears that are second nature to women: her characters marvel at the luxury of being able to walk out alone at night—"There's nothing left to be afraid of."

There follows an exploration of sexual attitudes as the women try to understand the attraction of pornography for their defunct menfolk and wonder whether they themselves could find it gratifying. They try on naughty underwear, riffle through magazines, see a brutal film. "They must hate us," exclaims one, a remark first heard in *Masterpieces*; but Ms Shapiro has the grace to qualify this with a gentle "Not all of them"—a giant step forward for feminist womankind.

Unfortunately the characters remain undeveloped and shadowy. As played by Christine Waterhouse, Ruby, the rich vulgarian in leopard-skin print leg-warmers, dominated by a father who founded the family fortune on porn, emerges as the one real and consistent figure on stage. Chief casualty is Eileen George whose upper-class Prudence, correcting Ruby's grammar, referring to herself as a lady and reminiscing about her pony, is not only a caricature but half a century out of date. As the ex-prostitute embittered, *we gather, by acting in those* films, Sandy Maberley has little to do but smile enigmatically and look like a young Elsie Tanner. The party's late-comer is a cypher: Stephanie Pugsley looks slightly puzzled by it all.

There are hints that a good cuddle with another woman is more satisfying than relationships with men. Combined with Gay Sweatshop's current message that the massed ranks of Hampstead Heath's prowlers are a *force for* peace, the perpetuation of the species looks more threatened by peaceniks than by nuclear war.

London Galleries/William Packer

When the primitive is just naive

The primitive, naive and popular arts deserve the most serious study and consideration, and not only for the position they hold in relation to the development of modernism at various points in its history, as stimulus, example and reproach, but very much for their innate virtues and qualities: innocence and simplicity, directness, freshness, all uncomplicated and unselfconscious, a real sense of being so close to the springs of the collective imagination. Out of them have come some of the most simply beautiful, moving and profound of the things that Man so variously has produced. The anthropological museums of the world are full of them—and it is indeed one of the real *achievements of our dreadful* age that we should have brought ourselves to acknowledge the true nature and authority of what was for so long thought to be merely curious, outlandish or bizarre.

But we must be very careful in our enthusiasm; for special pleading soon takes a hold, and all too easily we might find ourselves saying, as indeed some would now appear to do, that beauty and profundity will thus attend upon anything that can claim, one way or another, to be *truly primitive, popular or* naive—which would not do at all. The sculptures of ancient Mexico, and of Gothic Europe, the bronzes of Benin, the tribal totems and fetishes of the Pacific, all are wonderful things, and manifest works of art: and now at the Barbican (until April 1) we have "American Folk Art: Expressions of a New Spirit."

It may seem a shade unkind to invite such a comparison, but this is a case in which curatorial ambition would appear to suffer no such inhibition. The exhibition, lavishly sponsored by the United Technologies Corporation, comes to London from the Museum of American Folk Art in New York, at the end of an extended international tour; and in itself, within clear limitations of scope and material, it is enjoyable enough. High on charm if thin on the ground, it might even prove something of a success, with its patchwork quilts—which are lovely—and its cigar-store indians, its painted furniture, decoy ducks, whirligigs and weather vanes, its samplers, pottery, artless portraits and local views. Concentrated into a third of the space it now occupies (which is the entire sequence of the upper galleries) it might even have stoked up a certain unaffected vitality, and even registered a common aesthetic, as will a collection of any sort, whether of curios or masterpieces, if the eye of the collector is as sound as his taste is broad.

But "Expressions of a New Spirit"? Fine and ringing phrase that it is, just what does it mean? The show is curated, as our American friends would put it, by Dr Robert Bishop, who has this to say in his foreword to the catalogue: "American art has been extensively re-evaluated in the early 1980s. Abstract Expressionism of the 1950s and 1960s is no longer quite as fashionable. Realism and figurative painting which began to once again dominate national artistic circles in the *1970s* continues to gain in popularity; and folk art, that once-neglected expression of the common man, now attracts as much attention as all other forms of American art." His very words, and all but the first sentence questionable.

"Folk art has been and continues to be the mainstream of American art. It is by and for the American people"; and he goes on to quote approvingly Miss Jean Lipman, "one of America's most adventurous pioneer scholars in the field": "I have never changed by mind and am convinced that the entire field of activity of the folk artists was absolutely not, as has often been said, a charming postscript. I believe it was a central contribution to the mainstream of American culture in the formative years of our democracy."

So there we have it, brave words to match these brave, and sometimes very pretty things; and as we walk through the exhibition, at every turn the organisers, through their captioning, hold our collective hand as it were, for fear we might miss something. The furniture is handsome enough, in its plain 19th-century fashion, robust and serviceable, and the urge to decorate it neither unreasonable nor unique to North America: "The decorative pattern on this clock has been called 'paw printed'; it was probably created with a bit of sponge, crumpled paper or cloth."

Not everything is quite so old, and most of the carved decoys, which are hardly unknown here, date from the 1920s: "Decoys which retain their original condition and paint surface are most sought after by collectors. Few examples from the *first half* of the 20th century are in such fine condition as this Canada goose" (carved by Ira Hudson of Virginia c1925). So it goes on: "These beautiful paper toys were carefully cut with fine scissors or possibly a sharp blade": "Full traps are lifted out of the water and the eels are taken from the top of the basket by removing the lid": "The original version of this doll (Raggedy Ann) was designed by John B. Gruelle in the early 20th century. He allegedly copied a doll owned by his mother." Naïve, innocent, charming?—yes: expressions of a New Spirit?—not really.

The lower half of the Barbican Gallery is occupied, meanwhile, and for some time to come, by the *City's Pictures*, a selection of works from the Corporation's collection, very much like the one made two years ago that was so very popular, and which is to remain on free display for the rest of the year. There are some very nice things in the exhibition, which extends in its scope from Peter Lely and Michael Wright to John Lavery and Matthew Smith, with the Victorians supplying the mass of the stuff between: Tadema, Leighton, Millais, Tuke, Tissot, Rossetti, Poynter, Albert Moore all honourably represented in what evidently will be a changing show; and there is also the full-size study by Constable for his *Salisbury Cathedral from the Meadows*, the most important item.

But an enjoyable if undemanding show is one thing, the underlying policy which it would seem necessarily to infer quite another: and it is certainly most alarming to learn that half the Gallery, a gallery which, for all its faults, has established itself so very quickly as one of London's principal showing spaces, has now taken the cheap and easy administrative option.

Finally, two recommendations: the Kessler Bequest is on show at the Tate (until April 29), and should be seen as it is. It is by just such acts of private generosity that great public collections may be significantly enhanced, and in this case, through the Tate, we are all beneficiaries. But it is the way of such things that in time the smaller must be absorbed by the larger collection, its distinctive after-taste to be savoured only in catalogue and label, and fading slowly.

But the late Mrs Kessler's 14 modern paintings and drawings, most of them French, from Daumier and Degas to Picasso and Modigliani, are for the moment still together (a fifteenth, the large equestrian family portrait by Dufy, will join them in due course), and they form a remarkable group. A fine, small still life by Renoir, and a late reclining nude, are among them, a Matisse seascape, and a Modigliani portrait and a wonderfully energetic caryatid: but the greatest work is undoubtedly the large Degas pastel, *Femme au Tub*, blue, gold and pink, the figure delicately and intimately monumental. The Dufys form a group within the group, three delightful gouaches and one extraordinary canvas, a large harvest landscape that rather confirms what the Arts Council's splendid exhibition recently proposed, that Dufy was more substantial an artist than we had allowed.

And at Agnews, Mrs Gage by John Singleton Copley remains on view for the rest of this week, awaiting the tenders for her purchase to be revealed.

An American carousel horse with young admirer

Fille Mal Gardee/Covent Garden

Clement Crisp

On a brilliantly sunny afternoon, what better than to see three young dancers taking on the leading roles in *La Fille Mal Gardee*—that ballet of sunshine and youth—with performances as cheerful as the weather. Karen Paisey and Bruce Sanson, making their company débuts as Lise and Colas, and Guy Niblett giving only his second appearance as Alain, all looked happy in their interpretations at the Opera House on Saturday. The Covent Garden public is at its warmest and most encouraging on these occasions and, Herod-admirer though I am, I could not wish the legion of tots in the stalls a baletic baptism better than this.

Fille has altered across the years. It has lost something of the warmth of temperament that Nerina gave it and the yeoman worth which was a key to David Blair's rightness as Colas. Now things seem more brash and at moments unfeelingly comic—Nerina, as I recall, gave much sweetness to the first scenes with Colas. But Karen Paisey is a dear Lise, very bright in allegro work and very pretty in her playing. She gives the role a lightness and tripping charm that are most attractive.

Bruce Sansom, who made his school graduation performance as Colas two years ago, is a hero more classic in potential than most. He still looks very young (too young, really, for the role), and is physically slender and coltish, but there is little coltish in his classic style when he is allowed to display it. The cornfield variation had a grand sweep, and his fine-bred dance manner suggest a premier danseur in the making.

Guy Niblett's Alain is already assured (what a difference an extra performance can make), original and wholly splendid. He understands both the zaniness of Alain's character and its pathos, and he does not put one mercurial foot wrong. Best of all he suggests how quickly Alain's feelings change and he has the dramatic wit and the physical alertness to revel in these switch-back emotions. It is an interpretation as winning as any since Alexander Grant's great creation.

Dmitri Alexeev/Wigmore Hall

David Murray

Alexeev's recital on Saturday began magnificently with one of the late Brahms piano-sets, the op. 116 Intermezzos and Capriccios, and ended exuberantly with five encores. Of those, three were Chopin *valses*, and the programme had included his B minor Sonata and the Barcarolle; *Papillons*, Schumann's op. 2, came in the middle. Formidable performances, all of them: I found the music at either end of the recital most involving, but that probably reflected mere individual taste. There was tremendous general enthusiasm.

Each of the *Papillons* was robustly and freshly characterised, alive with original touches, rather strictly segregated. I like more continuous fantasy in the piece, and even an undercurrent of genteel hysteria—but Alexeev's deliberate shaping gripped one's attention very well. In Chopin he cultivated an equally conscious manner, with pointed half-legatos replacing many of Chopin's smooth slurs.

The Barcarolle was a refined sketch, but the B minor Sonata was considerably more. The Allegro was scrupulous in detail but majestically broad: it got its full repeat, dwarfing the Scherzo, which rattled by in a shower of dry sparks. The Largo was grandly cogent, with depths of feeling under sovereign control. For all its drive the Finale preserved a grim air, with the relentless beat of the rondo-tune always a notch below the frantic scamper of the episodes. Some trivial fluffs actually increased the tension.

In Brahms, Alexeev's big-boned, unfussy authority had something like Gilels' speaking directness, and it brooked no argument. A huge sound, but immaculate (with the pedal strictly rationed): I do not remember a performance of op. 116 that has done such searching justice to the most introspective, withdrawn Intermezzos without reducing the scale they need to make sense in the whole cycle. Each Capriccio revealed strong rhythmic pulls that had the force of instinct. The "Russian piano style" could not want a better exponent—and he is not 37 yet.

Under Milkwood Suite

Christopher Lorenz

The once commanding stature of Dylan Thomas has been sharply diminished over the years by repeated critical reassessment and attack. So it is not surprising that, amid all the general Orwelliana, few people seem to have noticed that 1984 is the 70th anniversary of his birth.

Yet the Welsh poet's vibrant, impish images and lilting language still ring with a beauty and joy all their own, especially in his famous small-town idyll of half hidden passions, "*Under Milkwood.*"

Twenty years ago this everyday story of love, lust and beery fantasy inspired jazz pianist Stan Tracey to write his "*Under Milkwood Suite.*" A critical and popular success from the start—including among Tracey's fellow musicians — it rapidly joined the ranks of British jazz classics.

The Suite takes the form of eight matchlessly apt musical episodes as a narrator follows the characters of Dylan's irreverently mythical town of Llareggub (pronounce it backward) through a day in their lives.

At the Queen Elizabeth Hall on Saturday night—sadly only half filled—Tracey and his quartet presented the Suite with impeccable swill, warmth and verve, from the rollicking piano and base of Captain Cat's "I lost my step in Nantucket" to the pulsatingly lascivious tenor saxophone of No Good Boyo, who drifts in a dinghy dreaming of geisha girls wrapped only in rice paper. With Art Themen's sax, Roy Babbington's bass and his own piano, Tracey had gathered three of Britain's most experienced jazz talents, each still a master of his art. And young Clark Tracey on drums was refreshingly controlled and understated.

As the narrator, Michael Griffiths thankfully avoided the exaggerated caricature of Welshness originally given to the part by Richard Burton. But compared with Donald Houston on the 1976 recording he was pallid, tending to rattle off the words rather than relish the way they can roll off the tongue.

Guinness Prize/Brent Town Hall

Andrew Clements

The Guinness Prize for composition has been awarded since 1974, when the first winner was Christopher Brown. For the ninth competition, however, the winner was commissioned to write a work for brass band. Robin Holloway won the contest with his *Men Marching*, written in 1982, and the result of his commission, *From Hills and Valleys*, was given its first performance in the Prize Concert at Brent Town Hall on Sunday *evening by Fairey Engineering* Band, conducted by Howard Williams.

Holloway gives his new piece and its predecessor the same opus number, and the collective title of *War Memorials. From Hills and Valleys* carries a verse at the head of the score by Charles Sorley, a young poet killed in action during World War I: "From the hills and valleys earth/Shouts back the sound of mirth." But the work proves to be less illustrative than a very skilful fusion of Holloway's own idiom with the conventions of the brass-band *repertory, in the form of an in*troduction and alegro. The introduction mashalls the themes, allotting each to a separate choir of brass instruments; the allegro then works them out in five distinct sections that quote from the earlier *Men Marching* at the climax.

There is an unfailing knack throughout the piece of fastening on to the strengths of the medium and exploiting them thoroughly: crisp, homogenous chords passed from one instrumental group to another, lingering, slowly modulating transitions usually done to death by brass-band composers but here given an acidulated freshness, highly mobile bass lines that roam freely through the densest textures. There are examples too of Holloway's own fondness for closely woven chromatic polyphony, especially at the opening of the work, while the unashamedly lyrical cast to some of the themes was a reminder of his discomfiting ability to transcend traditional encapsulation. *From Hills and Valleys* was presented cogently and precisely by the Fairey Band; one wishes that they could have paired it with Tippett's new work for brass band which they introduced in Hong Kong a few weeks ago.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

February 17-23

LONDON

Royal Opera, Covent Garden: The new production of Andrea Chènier, a vivid example of second-rank Italian verismo, has José Carreras in the title role, Richard Armstrong as conductor, and a staging (borrowed from Cologne) by the widely-admired Michael Hampe. Last performance of the successful La Bohème revival, with Ilona Tokody and Dennis O'Neill as the lovers. (240 1066).

English National Opera, Coliseum: The new production of The Mastersingers, a mixed bag of good and less good things, is notable above all for the interplay between the moving, interesting, and subtle Hans Sachs of Gwynne Howell and the brilliantly sung and acted Beckmesser of Alan Opie. John Cox's famous production of Patience returns with Patricia O'Neill, Derek Hammond-Stroud, and Anne Collins in the cast; last performance of La Traviata, with the fragrant, passionate heroine of Nelly Miricioiu. (836 3161).

PARIS

Le Fantome de l'Opera, a three-act ballet, choreography by Roland Petit, music by Marcel Landowski, conducted by Marcel Landowski/Claud Schnitzler *alternates with Verdi's* Jerusalem in a new production by Jean-Marie Simon, conducted by Donato Renzetti with Veriano Luchetti in the role of Gaston, Alain Fondary as the Count of Toulouse and Cecile Gasdia as Helene. Paris Opera (742 5750).

Maurice Bejart and the XXth Century Ballet: Messe Pour Le Temps Futur, expressing the anxiety, hope and fascination of the future. Palais des Congres (266 2075).

WEST GERMANY

Berlin, Deutsche Oper: Premiering this month is a Jean-Pierre Ponnelle production of Fidelio, conducted by Daniel Barenboim. It brings together tenor Peter Hofmann as Florestan and Catarina Ligendza as Leonora. Der Rosenkavalier is perfectly cast with Brigitte Fassbaender and Anna-Tomowa-Sintow. Die lustigen Weiber von Windsor rounds off the week. (34381).

Hamburg, Staatsoper: The week starts with Cosi fan tutte sung in Italian. Turandot has Eva Marton in the title role and Franco Bonisolli as Calaf. (351 151).

Frankfurt, Opera: Der Fliegende Holländer has Philip Joll in the title role. A new production of Don Pasquale has Günther Reiche in the title role. Other performances are Aida with Aurea Gomez in the title role, Cav and Pag and Der Turke in Italien. (25821).

NEW YORK

Metropolitan Opera (Opera House): *Natalia Makarova dances the butterfly in Le Rossignol*, the stunning middle piece in Stravinsky, which also includes Le Sacre de Printemps and Oedipus Rex, conducted by James Levine, with sets by David Hockney. The week also features the first performance of Arabella conducted by Marek Janowski, with Kiri Te Kanawa and Kathleen Battle, Tannhäuser conducted by James Levine and the new Rinaldo production conducted by Mario Bernardi and starring Marilyn Horne. Lincoln Center (580 9830).

New York City Ballet (New York State Theatre): The final week of the company's season of mixed repertory includes performances of Afternoon of a Faun, Concertino and Kammermusik. Lincoln Center (870 5570).

WASHINGTON

Joffrey Ballet (Opera House): Three separate programmes including nine ballets with three Washington premieres and one company premiere mark the week-long visit of the Joffrey. Gerald Arpino's Italian Suite, set to the romantic music of Ermanno Wolf Ferrari, is a Washington premiere in the programme with William Forsythe's Love Song. A premiere set to music by Aretha Franklin and Dionne Warwick. The third local premiere is Dream Dances, choreographed by Jiri Kylian to music by Luciano Berio, which is matched with Paul Taylor's Cloven Kingdom and Antony Tudor's spoof, Offenbach in the Underworld. The third programme consists of works by Sir Frederic Ashton, Jiri Kylian and Gerald Arpino. Kennedy Center (254 3770).

ITALY

Turin: Teatro Regis: Fidelio conducted by Milan Horvat (548 000).

Rome: Teatro dell'Opera: La Cenerentola conducted by Gabriele Ferro (461 755).

Opera in Barcelona

Ossia Trilling

Under the enlightened guidance of Sr Lluis Portabella, the banker, industrialist and music-lover who for over two years has been managing the fortunes of the Gran Teatro del Liceo with a team of experts in music-theatre to assist him, the Liceo has been going from strength to strength. It has earned its place in the top league of present-day international opera houses.

Since it opened in October, the season has been notable for three works.

An outstanding inaugural production of *Carmen*, featured José Carreras and Elena Obratsova as the tragic lovers, Alida Ferrarina, from Milan, replaced an indisposed Cynthia Buchan as Micaela on the opening night without prior rehearsal or any noticeable vocal or histrionic mishap.

Verdi's *Falstaff* was made memorable by the directing and designing debuts in an opera house of the two Catalonians, Lluis Pasqual and Fabià Puigserver, and by Thomas Allen's internationally famed comic rendering of Ford.

Massenet's little-known *Hèrodiade* found Montserrat Caballè, Barcelona's own virtuoso soprano, in fine vocal fettle and a perfect partner to José Carreras's John the Baptist. She gave a vibrant performance as Salomè that fully justified the roars of applause at the end. Another native, Joan Pons, recently promoted from the chorus, made as riveting a Herod as he had been a Falstaff, while Roderick Kennedy, from Britain, sang with his customary authority as Phanuël.

The Liceo's latest offering was Gounod's *Faust*, a revival of last year's handsome production with major cast changes. Valerie Masterson, praised last year for her genuinely French Marguerite, was succeeded by the no less exquisite Mirella Freni, a paragon of demure innocence, whose big numbers stopped the show time and again for what seemed like never-ending applause. The Catalonian tenor, Jaime Aragall (Jaume, in the Catalan cast-list) was replaced by that other show-stopping artist, Alfredo Kraus.

Though this veteran singer's voice occasionally showed its age, there was nothing amiss in his powers of characterisation, whether as an ageing medieval doctor of philosophy, or an ardent young student on the make. Justino Diaz, a Catalonian like the remaining singers, made a compelling, terrifying Mèphistophélès.

Romano Gandolfi, promoted to resident conductor after winning his spurs as a proficient chorusmaster, proved to be equally reliable when in charge of soloists and orchestra. He maintained an easy-flowing balance, while giving the principals their head. The somewhat muted Siebel was another local girl, Carmen (Carmé in Catalan) Hernández.

The audience had no qualms about Giuseppe de Tomasi's stylistic concept, that of placing each of the five acts in a different century with costumes (by Arrigo, of Milan)

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A dialogue on foreign debt

THE CURRENT visit of Dr Luis Valencia, the Foreign Minister of Ecuador, to western Europe signifies something of a truce in the war of nerves which has been going on for the past two years between the creditor countries of the developed world and the Latin American nations which owe them more than $300bn (£206bn).

Dr Valencia, who saw Mrs Thatcher yesterday, arrived to formally present to the western European governments the results of last month's Latin American economic summit meeting in the Ecuadorean capital. The presidents and senior ministers who met in Quito agreed on a series of measures designed to mitigate the effects of the world recession on their individual economies. These measures are based on increasing trade and regional co-operation.

Radical moves

The attitudes adopted by the countries represented in Quito towards foreign debt questions were more significant. They registered the fact that they were unwilling to expend so much of their limited stocks of foreign exchange on servicing their debt that their essential services and industries were deprived of the cash for essential imports. They called for a reduction in interest rates and in the charges levied by creditor banks for rescheduling; and for a stretching of maturities where these threatened to present potential major problems for borrowers. Not least importantly, they sought further reductions in tariff and non-tariff barriers to their exports.

What they did not set up was a "debtors' club" or cartel of borrowers that would seek to oblige creditor countries to extend them better terms under the threat of unilateral repudiation of debt by the Latin American states. In short the Quito meeting opted for dialogue rather than confrontation. This is the message that Dr Valencia has been bearing to the leaders of western Europe this month.

The Latin Americans—or at least the majority of larger borrowers among them—realise that the dislocation that would be caused in the international financial markets by any radical moves to repudiate debt or declare a unilateral moratorium would do them little good. (It is ironic that a minister from Ecuador, a country which was seen by some as the keenest for radical action, should now be the messenger of Latin American moderation.)

Best interests

For their part the lenders have been increasingly aware that it is no good flogging, if not a dead horse, a horse that shows some signs of expiring. Margins and commissions for rescheduling have been shaded a little. In its recent report on Central America the commission headed by Dr Henry Kissinger made specific reference to the importance of this development when it said, "The U.S. and the government of other creditor countries should urge private lenders, especially commercial banks, to renegotiate existing debt at the lowest possible interest rates." The banks are doing so not because of official exhortation, but because they increasingly perceive it to be in their best interests to do so. Both sides, borrowers and lenders, are therefore showing signs of retreating from the brink on which they seemed to be poised uncomfortably last year.

No one involved in the enormous and delicate question of Latin America's foreign debt can afford to become complacent about the dangers which still lie ahead. While Brazil and Peru have in recent weeks come to some interim arrangements about their foreign debt, Argentina has yet to come to terms with the International Monetary Fund and its commercial banking creditors. For its part Bolivia, while it owes comparatively little to its creditors, now appears to have almost intractable problems in servicing its debt.

Open markets

Nevertheless 1984 has started with a greater display of flexibility and mutual comprehension than could have been hoped for a year ago. The most probable way out of the debt *impasse* must combine a number of elements—economic adjustment by borrowers, enlightened self-denial on the part of lending banks, open markets offered by creditor countries, and steps by the U.S. to bring down the global level of interest rates. If Dr Valencia's mission helps to promote a willingness to compromise on these points, and serves to bury last year's thoughts of confrontation it will not have been in vain.

Computers and privacy

IN 1984, many people are afraid of computers—especially those of the State—and with good reason. Computers can analyse, collate and process personal information at a speed which makes their threat to individual privacy of a completely different order from that posed by paper records. They can perform tasks in seconds which it would take many people many weeks to do.

For this reason, the UK has long needed a law which requires the users of computerised information about people to disclose who they are and what they do, and to deal fairly and honestly with the data they hold. But the Data Protection Bill, now on its way through Parliament, is also vital to trade and industry because it will enable Britain to ratify the Council of Europe's Convention on Data Protection. If it is not ratified, other countries could restrict the flows of information across the UK's borders—an action which could prove very painful to industry, commerce and the City.

Principles

The Bill has had a chequered career in Parliament. Because of the last election, it has twice been through the House of Lords, and it has recently had its second Second Reading in the Commons. Curiously, it has so far generated little public interest.

The Government has accepted various amendments on the way; notably one which puts the immigration authorities under the same constraints as other data users. But now that the Bill is in its committee stage, the Government has an ideal opportunity to accept two more amendments which would make the proposals more effective and both easier and cheaper for users to comply with.

As the proposals now stand, companies which hold information on computers (other than pure payroll and accounting data) will all have to register with a Data Protection Registrar. He is then supposed to look at each application, and decide whether it will comply with the eight "data protection principles" set out in the Bill.

This could put a huge burden on both the users and the registrar — if each user had to work out for himself exactly which rules to follow in order to comply with the principles and the registrar had to assess every one of these on its own merit.

'Codes of practice'

The Lindop Committee, which reported on all this in 1978, found that there were only about 35 main categories of computerised uses of personal information. It therefore proposed that professional bodies, trade associations and groups of *similar users should* between them draw up standard 'codes of practice' for those categories which they could then all follow.

The registrar could approve those codes and automatically register everyone who agreed to operate under them, saving both himself and the users a vast amount of time and money. The Government's White Paper of 1982 accepted the idea of codes of practice, but there is still no mention of them in the Bill, or any power for the registrar to approve them.

A second cause for concern is the fact that the Bill insists on universal registration of all systems at the same time. Tens of thousands of users will therefore all have to register together, leaving the registrar and his 20 staff swamped with applications.

Either they will build up a huge backlog, or they will have to accept registrations without examining their merits. Neither is efficient, and both are undesirable.

Sequence

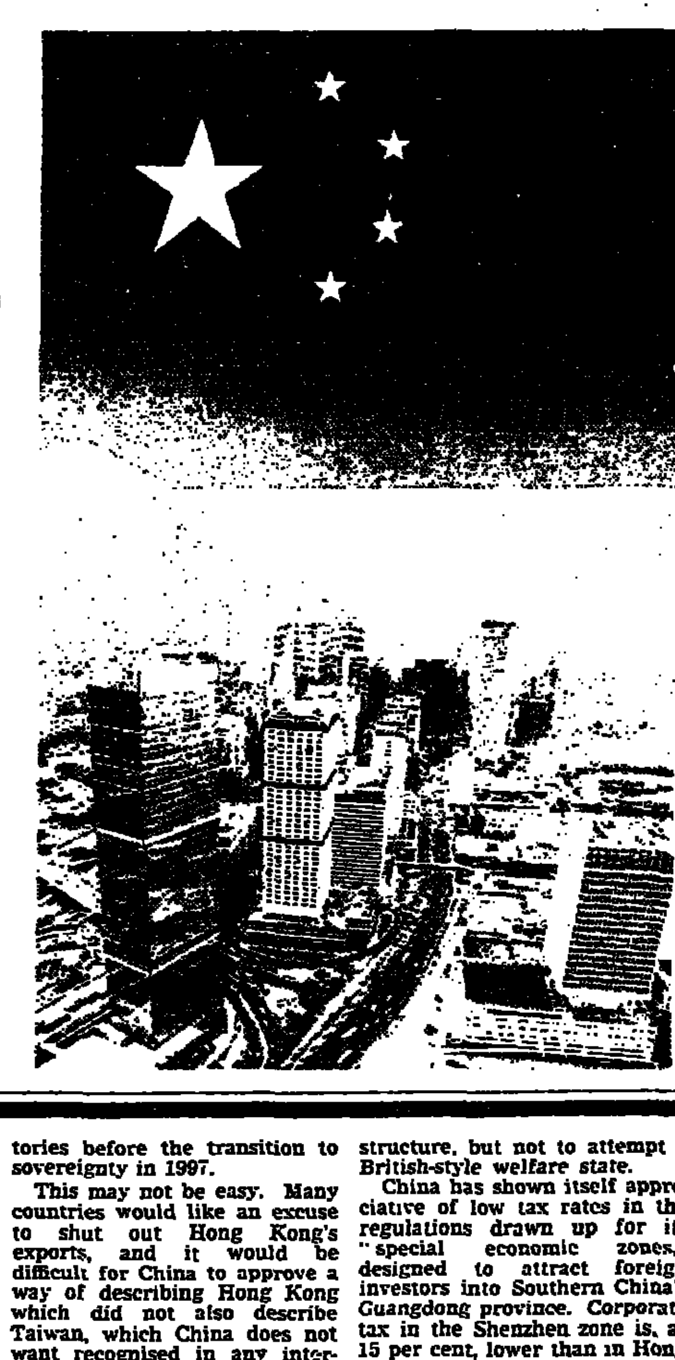
The obvious solution is to phase registration, by dividing the users into classes and calling in different categories at different times. The sequence could be chosen by the Secretary of State, or by the registrar.

Both these amendments are being proposed in the committee hearings. Without them, the excellent intentions of the Bill could be largely frustrated, and that is surely something that no one wants.

Hong Kong under the Chinese flag

The problems of mixing Marx and the market

Robert Cottrell reports from Hong Kong on the practical difficulties involved in any transition from British to Chinese rule



THE ISSUE of who runs Hong Kong after 1997 appears to have been at least partially resolved: It will not be Britain. While no formal agreement can be reached without Government ratification, the Sino-British negotiations over Hong Kong's future which enter their ninth round in Peking this week are proceeding on the assumption that when Britain's lease over most of the territory expires in 13 years' time, Britain will cease to have an authoritative role in its administration.

China has informally promised that, for 50 years after 1997, Hong Kong will have administrative autonomy to maintain its present capitalist way of life under a government composed of local people. Britain and China are now discussing the commitments which will be needed on China's part to maximise the possibility that Hong Kong's promised autonomy works in practice, and to maintain the support and confidence of the territory's citizens and investors in the meantime.

If the impact of 1997 is to have a minimally disruptive effect, institutions which would be shaken by a change of sovereignty must be secured as far as possible before that change occurs. Joint Sino-British working parties are already, as an adjunct to the Peking talks, examining key elements of Hong Kong's economy and society including the currency, legal system, civil service, and the territory's position in world trade.

Hong Kong's present monetary system, introduced in October 1983, pegs the value of the Hong Kong dollar to the U.S. dollar, and relates money supply growth automatically to the territory's balance of payments. Hong Kong has no central bank. The mechanics of banknote issue are handled by two large private sector banks, and supervisory duties are discharged by the Commissioner of Banking, a civil servant.

There is no apparent inherent reason why such a system should be undermined by a change of sovereignty, *providing* that other conditions are stable. A political panic in Hong Kong would tend to provoke a flight into cash, creating a crisis analogous to a run on an individual bank.

Exchange controls might provoke short-term panic

By 1997, Hong Kong's senior financial civil service jobs—Financial Secretary, Secretaries of Monetary and Economic Affairs, Banking Commissioner—will presumably have passed from expatriate to local hands. "Autonomy" for such officials after 1997 would mean, for instance, the management of the currency reserves, said to be HK$60bn, which Hong Kong holds to back its banknotes and the control of local exchange and interest rates.

It would also mean the freedom, if so desired, to resist the introduction of exchange controls for Hong Kong, if such a course became politically attractive to Peking as a means of stemming any capital outflows. Most analysts believe exchange controls in Hong Kong would provoke short-term panic, and long-term deterioration in an economy which derives its strength from its openness.

This autonomy will depend largely on the role assumed by the Bank of China, which is owned by Peking and operates Hong Kong's second-largest banking group. Will the Bank of China expect to assume some central banking functions in Hong Kong? Will Hong Kong financial bureaucrats outrank Peking's state bankers?

Chinese officials have said that they do not plan to send administrators from Peking to run Hong Kong after 1997, but such an undertaking does not cover the role of those Peking officials who are already in the territory.

The foundations of the Hong Kong economy are in its export-oriented manufacturing sector, almost half of which comprises textile and garment makers. The life-blood of the garment-makers is the system of quotas by which Hong Kong knows what volume of its goods it may ship to developed countries, mainly the U.S. and the EEC.

These quotas are allocated under the Multi-Fibre Arrangement (MFA), a framework for bilateral discussions between exporters and importers. The MFA is a function of the General Agreement on Tariffs and Trade (Gatt), an international agreement which governs the principles of world trade and which can hear appeals against irregular import sanctions.

Hong Kong is affiliated to Britain for Gatt and MFA purposes, but acts practically as if it were independent. China is a signatory to the MFA, but not to the Gatt and China's economy is heavily protected. What will happen when China assumes sovereignty over Hong Kong? Will Peking get Hong Kong's garment quotas, to allocate as it prefers? (Britain does not want or need Hong Kong's MFA quotas, because it is not a developing nation). In other sectors of trade, would world markets retaliate against China's protectionism by shutting out Hong Kong's exports?

There is no guarantee that the present world trading order will survive to 1997, but, if it does, Hong Kong could face some sticky problems. One solution would be for Hong Kong to assume formal economic independence in the eyes of Gatt and MFA signatories before the transition to sovereignty in 1997.

This may not be easy. Many countries would like an excuse to shut out Hong Kong's exports, and it would be difficult for China to approve a way of describing Hong Kong which did not also describe Taiwan, which China does not want recognised in any international agreements. But world trade is an area in which Hong Kong's status must be assured sooner rather than later.

The U.S. would need to assess whether the virtues of a prosperous and stable Hong Kong outweigh the discomforts of a large bilateral trade deficit. It would probably be Britain's task to urge the case of Hong Kong on its EEC partners. The rubric of the Gatt suggests that an "economically independent" Hong Kong could be technically accommodated, if other countries are willing.

Hong Kong's fiscal system relies on low direct taxes and fluctuating land sales revenue to provide sufficient funds for the Government to maintain a high standard of physical infrastructure, but not to attempt a British-style welfare state.

China has shown itself appreciative of low tax rates in the regulations drawn up for its "special economic zones," designed to attract foreign investors into Southern China's *Guangdong* province. Corporate tax in the Shenzhen zone is, at 15 per cent, lower than in Hong Kong.

Hong Kong citizens are generally assumed to like low taxes and low social welfare, but whether this situation will prevail after 1997 depends not only on what they want, but also on the means available for them to express their views.

Hong Kong today has no effective democracy. Power is vested in the Governor, who defers to two main councils of appointees—the Executive Council for policy-making, the Legislative Council for enactment of law. Whether Britain should "democratise" Hong Kong before 1997 invites two conflicting responses.

Supporters of democracy for Hong Kong believe that an elected government is the best guarantee of the territory's autonomy. While elected rulers may not always be efficient or even able, they are at least more responsive to local wishes than rulers who owe their jobs to being Peking placemen or sycophants.

The contrary argument is that Peking can run Hong Kong however it chooses. If autonomy is proffered, the way for Hong Kong to preserve such special status is to be politically inactive, minimising the possibility of giving offence or embarrassment to Peking: better Peking placemen than provocateurs inviting a clampdown.

Britain seems to have decided to seek a gradual democratisation of Hong Kong, working upwards from an expansion of elected places on local "district boards" towards elected places on the Legislative Council.

The Hong Kong Government is, meanwhile, moving towards filling its top civil service jobs with local instead of expatriate candidates. In a parliamentary-style Democratic system, elected Ministers would do jobs which Hong Kong's most senior civil servants and Executive Councillors do now. But whether democracy can go quite so far in Hong Kong depends more on China than on Britain.

Britain may well consider democracy in government and the preservation of a Western legal system as the best guarantees of civil rights for Hong Kong people under Chinese sovereignty. China seems less concerned about the origins of Hong Kong's legal system than that the territory should cease looking to the Privy Council in London as its final court of appeal.

If Hong Kong is to house its own final court of appeal, some local lawyers believe such a move should be made sooner rather than later, to provide a "transitional" period under British sovereignty. Prior to 1997, a five-man appeal court could include a minority of perhaps two visiting English Law Lords, providing the tie of experience with a parent legal system. The continuation of such a link after 1997 would *depend on whether China felt* judicial co-operation compromised its sovereignty.

Minimising the possibility of giving offence

Britain and China have a portfolio of other problems to consider. If the Honk Kong Government is to continue as a legal entity, it can presumably start sub-leasing New Territories property in its own name to beyond 1997, once the preliminary Sino-British agreement has been reached. But what of the leases of up to 999 years issued by Britain to property owners on Hong Kong Island? Will they run their course?

China's goodwill is necessary to Hong Kong's future well-being, but goodwill alone is *unlikely to be sufficient.* China and Hong Kong are at opposite poles of the social and economic spectrum; should the territory opt for conservation, liberalism, socialism—or Marxism? For cosmopolitanism or nationalism? The individual or the state? The choices are immense and the pledges *which China gives* to Hong Kong will have to paper over not cracks but chasms.

THE NEW ROUND OF SINO-BRITISH TALKS

THE TWO days of talks between Britain and China, due to begin tomorrow in Peking, mark the ninth round of formal Sino-British meetings on the future of Hong Kong since the series began last July.

While no official timetable for talks has ever been acknowledged by Britain, China has repeatedly indicated that it would like to see at least a preliminary agreement reached by September this year—exactly two years *after* Mrs Thatcher, the British Prime Minister, visited Peking and raised the Hong Kong issue with Chinese leaders.

In the early stages of the talks, Britain is thought to have been seeking an extension of its administrative authority in Hong Kong even *after its lease over most of* the territory expires in 1997.

Following China's uncompromising opposition to such a plan, Britain has in recent months been concentrating on clarifying China's own scheme for an autonomous Hong Kong under Peking sovereignty *after* 1997.

China has said that it will publish a "mini-constitution" for Hong Kong, enshrining the territory's rights to maintain its present way of life. It seems, however, that this document may be some years in preparation, rather than the months which *had earlier been suggested by* Chinese officials.

Hong Kong today is a less jittery place than it was a year ago, perhaps because of increased confidence that, at least, it will be another 13 years before China makes its move. Hopes that the talks may soon produce a positive-sounding statement have helped to buoy up the local stock market.

This week's round of talks will be followed by a British "summit" in Hong Kong between Sir Edward Youde, *the governor of the colony;* Sir Richard Evans, the British ambassador to Peking; and Mr Richard Luce, Foreign Office minister responsible for Hong Kong, who is visiting the territory. Sir Richard lead's Britain's delegation at the talks. He took over the position from Sir Percy Cradock, his predecessor as ambassador, at the New Year.

Men & Matters

Morpeth's final account

Sir Douglas Morpeth, committee-man extraordinary and champion of the accountancy establishment's fight for inflation-proof numbers under the SSAP 16 banner, yesterday announced his retirement as chairman of accountants, Touche Ross.

Morpeth, who is also leaving the council of the Institute of Chartered Accountants in June, says he is looking forward to enjoying a few more long weekends.

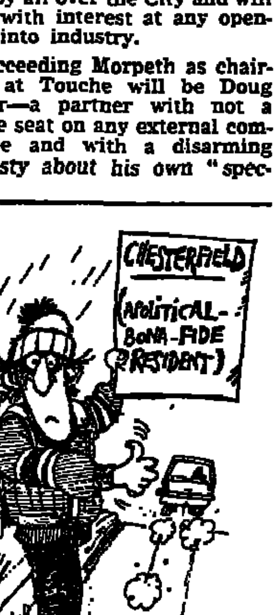
He "wouldn't even like to hazard a guess how many" committees he has sat on over the last quarter of a century since his firm set him "on the Institute path." And he seems unlikely to be headed for a lonely retirement after he quits Touche in April next year.

Inflation accounting is one cause he has no intention of taking up again, but he already has a number of other chairs to occupy all over the City and will look with interest at any openings into industry.

Succeeding Morpeth as chairman at Touche will be Doug Baker—a partner with not a single seat on any external committee and with a disarming *modesty about his own* "spectacularly uninteresting" role as the firm's managing partner for the last nine years.

Mike Blackburn, who became a partner on the same day as Baker in 1960, will succeed him as managing partner. The two men will be taking their close professional relationship a stage further now by shouldering together the burden of the public roles always carried by Morpeth in the past—though neither seems inclined to accept quite so public a profile.

Perhaps SSAP 16's late and not-so-lamented demise has not proved quite the right inducement to follow the old soldier's lead.



House rules

While UK solicitors seem likely to lose some conveyancing fees, Guernsey estate agents have been keeping local lawyers busy drafting a new clause to house conveyances because of an ancient and almost forgotten island law.

Known as retrait lignager, the law enables close members of a family to recover a property sold out of the family by another member, so long as action is taken within a month.

It was resurrected recently by a man who forced a Littlehampton couple to resell to him a £175,000 bungalow they had bought from his sister. Though the couple received £192,000—the original purchase price, plus one-thirteenth, plus legal costs, as the law prescribes—they lost £10,000 paid for fixtures and fittings.

Estate agents are hastily including extra guarantees in contracts, while the couple's Guernsey lawyer, Peter Harwood, begins a campaign to get the old law abolished. "It was abolished some years ago in Jersey," he says. "There is no justification for such a law in the 20th century."

Heavy brew

THE legal documents which have piled up as a result of the battle for control of the Yorkshire brewers T and R Theakston are already as thick as a volume of War and Peace, says Paul Theakston, chairman of the beleaguered company.

Actions arising from the dispute over the brewers of Old Peculiar beer are due to be heard in the High Court on April 9 with ten days provisionally set aside for the hearings.

Theakston's problems started when Michael Abrahams, best-known for having revitalised AW (Securities), the carpets group, in the 1960s, attempted to acquire a large block of shares.

Paul Theakston headed a search for a bidder more congenial to his board. He found Matthew Brown, a brewer on the Lancashire side of the Pennines. But Matthew Brown's plans were in turn thwarted by a counter-bid from William Grant and Sons, distillers of Glenfiddich whisky.

Grant was backed by Gerry Thomas, Theakston's managing director, and Michael Theakston, another director and cousin of Paul.

The warring bidders and the divided board have been unable to reach an amicable agreement out of court—so the lawyers have been called in to decide who is entitled to various blocks of shares.

The Theakston directors are wishing they had stuck to brewing. "It's got to a pitch where it has gone over the board's head." said Thomas yesterday. "It is becoming extremely expensive."

"The whole thing is extremely unfortunate," says Paul Theakston. "If it had been set off properly in the first place it would not have come to this."

Market bound

Radiant with satisfaction, Heinz Nixdorf, West Germany's computer and electronics entrepreneur, yesterday announced the long-awaited news that his company was going for a stock market listing.

Now an energetic 58-year-old, Nixdorf was entitled to feel pleased at reaching this milestone in what has been a long, uphill struggle.

In the elegant surroundings of a Frankfurt hotel, he recalled how he started his business career in the same city more than 30 years ago. He had been studying physics at Frankfurt university but decided to go into *business on his own. He had* plenty of ideas but no money. "My first customer financed my first operation," he reminisced.

Times have changed. Nixdorf was flanked yesterday not only by his own executives but also by Dr Wilhelm Christians, joint head of Deutsche Bank, West Germany's largest bank, which has been carefully squiring Nixdorf towards a stock market launch.

Nixdorf has never forgotten his modest origins, and has an attachment to his home town of Paderborn which is apt to cause a short circuit in more Munich-oriented computer buffs.

He insists he is not a man who lives for work. Some days, he works for 16 hours, he says. Other days he finds time for leisure, including erading.

What about early retirement? He reels back at the thought. His executives are an able team, *he assures me. But the* electronics game still brings a fascinated glint to his eye.

Dog's life

Only natural for a farmer to enliven his speeches with some *animal* imagery. Farming News picked up this quote from a Norfolk farmer at last week's NFU annual meeting: "The union is like the three wise monkeys, see no evil, hear no evil, speak no evil. In the pig world, it is dog eat dog."

Observer

Letters to the Editor

Apprentices and education—the British and German systems

From Mr D. Wooler

Sir,—Your education correspondent's article (February 10) must have disquieted many readers here in Germany with first-hand experience of the system which he seemed to imply is one Britain also needs. He spoke to civil servants in Bonn and teachers elsewhere too, but the views expressed are certainly not those of most children, parents and employers who live with the German system.

It is right to have stressed the role of the broadly based and well structured German apprenticeship schemes, though most personnel managers know that today's high percentage of "qualifiers" for such apprenticeships are primarily due to a horrifying lowering of standards, whereby employers reject vast numbers of "qualified" applicants who cannot write the simplest sentences, do very basic arithmetic, or speak understandably. The true benefits for the community stem not from schools' education of pupils to so-called "qualification" standards, but are found in the apprentice schemes themselves which systematically turn out trained employees in so many widely differing career directions not generally regarded in Britain as even being worthy of an apprenticeship.

What your correspondent calls a "balanced curriculum" in German schools is an illusion. Politically based regional interpretations in the "Laender" negate many theoretical benefits, and all too frequently poor school management and teacher indifference the rest. The question of teacher attitude and the resultant teacher/pupil relationship is a key weakness in the German system and is today so widely acknowledged by "recipients" as to have warranted a mention in the article.

Two major facts lie at the base of the problem. Teachers, after probation, are usually appointed as civil servants ("Beamter") for life—ie, lifelong job security virtually regardless of performance (speak to a few headmasters in Germany on the issue of trying to rid the children of chronically incompetent or "unbalanced" teachers). To all intents and purposes it is the teacher who decides whether a German pupil has a pass grade or not.

There is hardly a parent or child who has not suffered from some teacher's lack of objectivity, "obrigkeitsgefuehl" and sheer prejudice. Regardless of the issue of competitive v benchmark standards, German children dream of the generally objective British school examination system, whereby standardised tests are evaluated by a centralised examination board free from personal prejudices.

These differences in the principles applied in the two countries are key. As a 19 year old from Hamburg recently wrote after spending some time at school in Britain: "The British system aims to get teachers and pupils on the same side of the fence, working jointly to achieve the same goal (whereby the teachers too may be judged by successes their pupils achieve)." All too many German teachers stand opposite and against the pupils' interests in a structure where they have the roles of investigator, juror, and judge—as many a tearful and fearful teenager can tell.

That no education and training system should devote itself to just furthering the scholarly minority and neglecting the less academic is both morally correct and makes economic sense. Here the German apprentice training structure—only made viable on such a broad basis by paying appreciably lower wages during the three years training, a fact which most English trade unionists find abhorrent—makes a major contribution. In Germany a very large number of us feel the secondary school system does not.

D. A. Wooler,
Im Kamp 3,
D-5068 Odenthal, W Germany.

From Mr G. Odgers

Sir,—I am an Englishman, an engineer, and I have lived and worked in Germany for 18 years now. I agree wholeheartedly with your excellent article of February 10.

Skilled people—manual and office workers—are better trained than in Britain and their knowledge of their own language and its grammar is also better.

A friend of mine of 20 years ago—a Canadian electronic engineer who worked for Siemens in Berlin at that time—said the technical knowledge of the German electronic engineers was so much better than his that it embarrassed him at times. But, he said, he had a feeling his work was better than theirs!

Although the German workshops and their staff have much to teach us their technical office organisation leaves much to be desired. Their staff are not creative (creativity is not sought), they are sometimes irresponsible and inclined to play about when the boss is not there.

The attitude of the boss to a new technical man in Britain is, "let's find out what he can do." In Germany it is, "Er mub sich erst einarbeiten" (he must learn our methods first).

G. Odgers.
Martinistr. 8/10,
2800 Bremen 1, Germany.

From K. Graf von Schweinitz

Sir,—Further to your article on British and German education (February 10) may I make the following observation.

Having been educated for seven years in Germany, and for eight in Britain, it struck me that German schools (in contrast to British ones) focus very heavily on accumulating a diverse knowledge base rather than developing the powers of reasoning, thought and above all presentation. Similarly at university level, German employers prefer students with practical degrees such as economics and law, rather than general ones such as history and English.

From an entirely personal experience the German approach, although it may result in a better preparation for working life, is not as stimulating and rewarding as the British one which seems to encourage individual academic interests.

Konstantin Schweinitz,
71 Elm Park Gardens, SW10.

Pigeons come home to roost

From Mr D. Harley

Sir,—I was pleased that your Parliamentary report (February 15), unlike those of other newspapers, recorded Michael Meacher's picturesque use of the phrase "stool pigeon." Unfortunately, his meaning remains obscure, as is often the case when politicians attempt to render their prose more colourful.

Originally an expression used by American pigeon shooters, the figurative sense was defined by Bartlett in 1859: "a decoy robber, in the pay of the police, who brings his associates into a trap laid for them." Although the term is now applied more generally to informers, on occasion, it is difficult to see how the poor can have become "the stool pigeons for the next round of Government handouts to the rich." Surely Mr Meacher is adding insult to injury.

David Harley.
St John's College,
Oxford.

Implications of a tax decision

From Mr N. Chisholm

Sir,—I believe the decision in Furniss v Dawson has even profounder and more sinister implications than those mentioned by the correspondents in your pages.

The transactions with which the case was concerned occurred in 1971 at a time when the new doctrine of "substance over form" was unknown to tax law in the UK. Now, 13 years later, the taxpayer suffers what has all the appearance of retrospective legislation imposed by the Lords, without any reference to the Commons. Is this constitutional?

Of more general concern is the fact that the interpretation of tax law has been thrown into the melting pot. Scarman L. J. states that "the law in this area is in an early stage of development." This approach is far removed from the real world of business where tax law cannot be treated as an academic exercise to be worked out in the leisurely manner familiar to the law. Tax is nowadays an integral part of all business planning and any uncertainty thrown into this process must be detrimental to business and is to be deplored.

The decision inevitably puts greater discretion into the arms of the Inland Revenue. In future the Revenue will only have to shout "Foul" irrespective of what the "rule book" says and the taxpayer must either acquiesce or incur the cost in time and money of fighting his case to the House of Lords. It is to be hoped that at the least the Revenue will now provide proper machinery to enable rulings to be given in advance of the event as is familiar in the U.S.

N. M. Chisholm.
22, Camlet Way,
Barnet, Herts.

Importance of Antarctica

From Mr J. White

Sir,—Robert Graham's most interesting article (February 16) emphasises the potential importance of the Antarctic continent. This fact is realised by the Soviet Union, perhaps more so than by any other nation. The large-scale 28th Antarctic expedition began in October, 1982, and the 29th exactly a year later.

There are now seven permanently manned Soviet bases in Antarctica, five of which have airstrips. Il-18D aircraft fly a more or less regular service Leningrad / Moscow - Odessa - Aden-Maputo to the airfield at *Molodezhnaya. Some of the airstrips* have helicopters and light aircraft attached to them.

Some 630 people, of whom 340 are scientists, are taking part in the 1983-84 expedition plus the permanent maintenance staff. In November, 1983, five ships left Leningrad and Vladivostock carrying what was described as "thousands of tonnes of equipment and supplies." The research ship "Professor Vize," usually on station with the Baltic Fleet, has been operating in Antarctic waters. The personnel of the stations includes besides Soviet citizens Cubans, East Germans, and Mongolians.

Poland maintains a permanent Antarctic station, the H. Arctowski. The Argentinian stations in the Antarctic are all manned permanently by armed forces personnel with military commanders.

John Baker White.
Street End Place,
Street End,
Canterbury,
Kent.

The Excise duty on drinks

From the Chairman,
Information Committee,
Scotch Whisky Association

Sir,—You report (February 14) a Parliamentary written answer in which the Treasury seeks to demonstrate that "in real terms" changes in the structure of excise duty over recent years have favoured Scotch whisky (and other spirits) at the expense of beer and light wine. Such selective information does scant justice to spirits drinkers, for whom the only reality is the amount which they have to pay in the shops and the large proportion of the retail price which tax represents. When looked at on this basis can it really be said that spirit drinkers are getting a fair deal?

In considering tax on alcoholic drinks, it is necessary to consider the total tax content as value added tax is levied on the duty paid price. Thus tax on a bottle of Scotch whisky retailing at £7.25 consists of £4.56 excise duty and 95p VAT which together represents 76 per cent of the retail price. On the same basis, tax accounts for 78 per cent of the cost of a bottle retailing at £7 and an even greater proportion of the price of brands selling at lower prices. The total tax content on a typical pint of beer amounts to 38 per cent.

Excise duty on a measure of Scotch whisky is more than double that paid on quantities of beer or vermouth which contain the same amount of alcohol. It is also 53 per cent greater than the duty levied on a glass of imported table wine, which also contains the same amount of alcohol. This discrimination is exacerbated by the imposition of VAT on the duty paid price.

All alcoholic drinks are in competition and the fair and logical way to tax them is to base the tax system on the alcohol content of each drink. Only then will the taxation of each drink be seen in realistic terms.

Donald Mackinlay.
The Scotch Whisky Association,
17, Half Moon Street, W1.

Academics and industry

From Mr D. Goch

Sir,—Mr T. Smith (February 15) rightly draws attention to the lack of practical business experience of some business academics as being a significant factor when judging the lack-lustre performance of the major institutions since their foundation in the 1960s.

From the outset it has appeared to the outsider that despite their initial intentions of being completely free from the influences of the established universities and their academic traditions, things have not quite worked out as they planned.

When the first appointments came to be made, those with "good academic records" tended to head the short lists and salary scales and the other trappings of academic life were likewise geared to the customary norms of "Oxbridgia."

In time, of course, career advancement appeared to come to depend on the traditional academic criteria of research and a flow of published work. Regrettably, the art of communication has ranked low down in the rankings of desirable qualities and the writings of many of the more eminent and "respected" academics have been virtually incomprehensible to the businessman in the street. We have reached the ludicrous situation where some academics communicate only with each other through their esoteric writings and their contribution to business education in its wider context remains as divorced from reality as ever.

Not all of them have succumbed to these pressures but the schools are sadly lacking in people of the quality of the late Professor Ronald Edwards. His self-confessed objective of building bridges between the business and academic worlds was advanced in a practical fashion by his work at the LSE and his experience at Beechams and with other major industrial organisations.

Desmond Goch.
4, Paddock Wood,
Harpenden, Herts.

Toxicological implausibility and herbicides in Brazil

From the Public Affairs Department, Dow Chemical Co.

Sir,—The article filed in Rio de Janeiro and published in the UK on February 14 alleges that human and animal deaths have occurred in the northern region of Brazil as a result of the use of (Tordon) herbicides. These accusations are not only unfounded but, from a toxicological standpoint, implausible. The Dow Chemical Company is, however, deeply concerned whenever any allegations are made about the safety of their products. Therefore, Dow Quimica S.A. (Dow Brazil) has investigated these claims and found them to be unwarranted. Dow is now encouraging other official agencies in Brazil to do the same.

To date, conclusions which have been drawn and reported in the Brazilian media have been based upon speculation, not evidence. In fact, the only substantive data which exist have been ignored. In 1982, following the first animal death claims, four independent research institutions made investigations. Those were: The Biological Institute of the Agriculture Secretary in the State of Sao Paulo; the Agriculture and Veterinary College of the State University of Sao Paulo; the Ministry of Agriculture, Para Office; and the Veterinary Studies and Research Foundation of the State of Minas Gerais. These investigations all reached the same conclusion: Tordon poisoning was ruled out, cause of death was identified as malnutrition and anaemia leading to other sub-acute and chronic cattle diseases. Shortly after the alleged cattle poisoning, the National Institute for Amazon Research also analysed the supposedly contaminated water. No herbicide residues were detected.

Tordon 101 is a product registered in Brazil for many uses, including vegetation control on rights-of-way. It has been used safely in Brazil for 20 years and is currently approved in more than 40 additional countries. Tordon 155 has been registered for similar use in Brazil since 1971. There are 24 registrations of Tordon 155 or similar formulations approved for use in 13 countries. Both products have an outstanding global safety record.

These herbicides are classified as low to moderate in toxicity. For example, the acute oral toxicity of Tordon 101 is comparable to the toxicity of table salt. Put into layman's terms, a person weighing 60 kg would have to drink more than 15 litres (= four gallons) of the actual Tordon 101 spray mixture to reach the oral acute LD-50 level. Exposure of this magnitude or anything even remotely close to it would be impossible to achieve in actual use.

With knowledge based on extensive scientific data, a long history of safe use and actual facts from independent studies already completed in Brazil, Dow is totally confident that the final conclusion of any non-biased, scientific investigation will show that Tordon herbicides were not the cause of animal or human deaths claimed. A finding to the contrary would be totally inconsistent with toxicology profiles of the Tordon herbicides and with more than 20 years of use experience.

Ruth C. Anderson,
Dow Chemical Company,
Meadowbank,
Bath Road,
Hounslow, Middx.

UK Electronics Industry

The jobs they can't fill

By Raymond Snoddy

BRITAIN'S ELECTRONICS and telecommunications industries—one of the Government's chosen vehicles for industrial recovery—face a serious shortage of skilled staff which could limit their growth.

A wide range of large and small companies are finding it increasingly difficult to get experienced electronics specialists. And over the next two years a sharp rise in demand for such key personnel is expected. Yet because of the cuts in higher education the signs are that this extra demand will coincide with a fall in the number of electronics and electrical engineering graduates from the universities. Hewlett-Packard was the latest company to ring alarm bells, just last week.

Plessey, one of Britain's leading electronics companies, has for the first time recently been forced to send recruiters to Australia and New Zealand to try to find people for its UK operations.

The company, which believes it could use another 700 graduates in the electronics and other numerate disciplines to bring its total to around 7,000, is also starting to advertise in *Belgium* and the *Netherlands* for staff. "Not only do we think the situation of skill shortages will get worse; it threatens to become the major limiting factor in our growth," says Mr Parry Rogers, Plessey's personnel director.

Smaller companies which can move faster on pay and conditions are already responding to the pressure in the market. There are reports of guaranteed bonuses, quarterly salary reviews — and even the Californian practice of "up-front" bonuses or "golden helloes" appear to have arrived in the M3-M4 electronics triangle to the west of London.

Head hunters are stalking the land looking for hardware and software engineers, systems analysts, computer aided design and telecommunications managers. In the glossy pages of the computer press £20K—as it is invariably styled—plus car is not out of the ordinary for a good project leader. (The going rate is double that for someone with a technical background and a reputation for selling.)

A recent issue of Computing magazine carried 63 pages of appointment advertisements at £5,000 a page. Electronics graduates fresh from university are holding out for—and getting—between £9,000 and £9,500 from the smaller companies. Larger companies are tending to lose out because their more rigid pay scales make it hard for them to pay more than between £7,000 and £7,500 a year. The average new graduate salary is around £6,000.

Eighteen months ago Mr John Massey, managing director of Sigma Electronic Systems, specialists in graphic display peripherals, was paying graduate engineers aged between 25 and 35 up to £13,000.

Now the range is £11,000-£18,000 and he's having the greatest difficulty getting the software engineers he needs. In six months he has lost eight recruits before they even arrived. Staff have been offered a £500 tax free bonus for suitable introductions to help the company's expansion plans.

At Istel, a systems house employing 1,000 people Mr John Leighfield, the managing director, says the range of salaries for telecommunications managers, who design and supervise the installation of voice and data communications, is the widest he can remember—from £17,500 to £35,000. The situation is likely to get worse.

The Institute of Manpower Studies at the University of Sussex has warned the government in a series of studies for the Department of Employment that a serious mismatch between the supply and demand for advanced computer skills is in the making.

According to Mr Alan Gordon, a research fellow at the Institute, the number of electronics and electrical engineering graduates coming from UK universities will rise slightly this year to 2,124 before falling below 2,000 in 1985.

Mr Brian Oakley who heads the Alvey Directorate—the organisation set up by the Government to administer joint industry projects on the next generation of advanced computers—is convinced the situation is serious.

"There is clear evidence that because of the resurgence of industry and the amount of new work under Alvey and Esprit (a similar EEC initiative) that there is going to be a large increase in recruitment this year," Mr Oakley says.

He believes that the UK electronics industry will grow at the rate of 20 per cent a year, creating a need for 8 per cent more new graduates a year. "Where the hell are those graduates going to come from?" says Mr Oakley.

"We are facing an extremely serious situation where the growth of the industry will be limited by the people they can recruit," Mr Oakley adds.

One Government Information Technology initiative may help. Last year nearly 100 students completed masters' degrees in electronics even though their first degrees were in other subjects — sometimes even arts subjects. The number will rise to nearly 1,000 this year. "It will help but there is just not enough," says Mr Oakley. And although the first such graduates have been well received in industry it is too early to say whether a one-year crash course goes deeply enough.

"One infuriating thing is that we have people wanting to study these subjects," says Mr Oakley. Two Open University courses on computing each attracted more than 4,000 applicants—double the number that could be accepted.

Companies are increasingly having to think of self help. Major companies in the industry have already tried—and failed—to reach agreement on a moratorium to prevent "poaching" of employees. But out of this impasse has come an initiative by companies such as GEC, Plessey and Racal to see whether they can devise new forms of joint in-house training.

Under the aegis of the Alvey directorate Professor John Sparks is to be seconded for three months from the Open University to see whether "short sharp" courses can be devised for electronics using the expertise that OU has pioneered for "distance teaching."

If the shortage of skilled people becomes really acute it could also pose question marks about Britain's appeal as a European base for U.S. and Japanese advanced electronics companies. Apart from access to the EEC market the quality of staff has been Britain's main attraction.

Last weekend Mr David Baldwin, UK managing director of Hewlett-Packard, the U.S. microelectronics company warned that not enough talented youngsters were being attracted to the industry.

He was speaking as the company announced it was increasing employment at a plant near Edinburgh from 800 to 1,500 by 1988—part of a Hewlett-Packard plan to take on about 500 more people a year for the next five years in the UK as a whole.

The Government and industrial training efforts, he believes, is hopelessly fragmented. "There is no single focus or real appreciation of the processes involved. I see no real action being taken and no sense of strategic objectives being set," says Mr Baldwin.

FINANCIAL TIMES

Tuesday February 21 1984

WORLD'S BIGGEST CAR MAKER ENVISAGES END OF ANNUAL WAGE RISES

GM to seek 80,000 job cuts

BY PAUL TAYLOR IN NEW YORK

GENERAL MOTORS, the world's largest car maker, will seek to cut its unionised labour force by 80,000, *or a fifth, over the next three years,* and to eliminate permanently annual wage increases in favour of a profit-sharing plan.

The proposals were contained in a leaked internal GM memo, made public by the United Autoworkers Union (UAW) and confirmed yesterday by the company.

The proposals also include provisions seeking to allow the company to hire new workers on wages and benefits lower than existing UAW scales. It was contained in a memo entitled "Actions to influence the outcome of bargaining" signed by Mr Alfred Warren, a GM vice-president. He will lead the company's contract talks with the union in July when the proposals are to be discussed.

GM yesterday confirmed the memo's existence but refused to discuss details, saying it was "an internal document and we have no plans to discuss it publicly."

But the company added: "As you approach national bargaining, you consider all possible scenarios. We obviously would not be doing our job if we did not do that."

The union which views the document as an inevitable first shot in the run-up to contract negotiations, said yesterday that it was not surprised by the proposals, which it termed "part of a negotiating strategy."

The union sees the proposals as representing more of a company "wish list" than a realistic assessment of the likely outcome of contract talks.

Those negotiations are designed to replace the current three-year agreement, which expires on September 15, with a new contract. The existing agreement was negotiated during the 1982 car sales slump and eliminated, for the first time for 30 years, the annual 3 per cent wage increase.

It also contained other union concessions in return for a limited profit-sharing scheme which is expected to pay out around $600 to each GM union employee next month.

Since then, the UAW has made further concessions to other U.S. car makers, but with industry profits soaring once again, the union has set itself firmly against making any more.

GM itself has spectacularly returned to profitability, posting a record $3.7bn profit last year, and it is expected to pay hefty bonuses to its executives just before the next round of negotiations begin.

Mr Owen Bieber, the UAW president, has made clear that he will oppose any further extension of union concessions in the next round of contract talks.

In the document, GM says it hopes to reduce the unionised workforce, which totals about 370,000 to under 300,000 by the end of 1986, to help reduce production costs.

Such reductions would be achieved through changes in work rules and through the extended use of more automated labour-saving devices. GM ended last year with an average annual employment of 463,000 hourly workers of whom some 50,000 have been laid off.

The document lists actions "to contain labour costs per hour" as the principal objective in the contract negotiations. To do so, GM would try to "expand profit-sharing in lieu of returning" to annual wage increases and to cost-of-living payments linked to inflation.

Such a move would represent a radical change in strategy for the company. It had previously opposed the UAW's profit-sharing plans, but agreed to a limited form of profit-sharing in the last contract negotiations as a way of avoiding wage increases in poor years and of giving workers a stake in the company's future.

The document also includes a proposal to replace the three-year cycle of formal contract negotiations with "a continuing problem solving (living agreement)."

The current average hourly wage for UAW members at GM, including benefits, is around $22 an hour.

Britain's truck trade dips into deficit

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

BRITAIN'S TRADE in commercial vehicles went into the red for the first time in 1983. A surplus of £101m for 1982 changed to a deficit of £136m ($195.8m).

The trade deficit for all motor industry products also worsened considerably, leaving Britain with a deficit sharply up from £973m in 1982 to £2.4bn.

It was only the third time that the UK motor industry has shown a deficit on its trade – there was a £287m surplus of imports over exports in 1979.

Last year's performance was adversely affected by the record demand for cars, which sucked in imports. Sales of imported cars exceeded 1m units for the first time in 1983.

As a result, the deficit for cars widened by nearly 40 per cent, from £1.94bn to £2.69bn.

That explains the UK Government's growing concern about car imports and the pressure it is putting on Ford and General Motors, the Vauxhall-Opel group, to cut the number of "captive" imports the companies bring into Britain from their Continental factories. The two U.S.-owned groups last year were the biggest car importers in Britain.

The Government also wants Ford and GM to increase the number and value of components they acquire from UK companies.

Commercial vehicle exports last year were badly hit by the problems of traditional markets, particularly in Africa, where countries ran out of foreign currency to pay for lorry imports. Other European countries were facing similar problems in the Middle East as well as Africa. Their commercial vehicle manufacturers concentrated on European sales instead in 1983.

The results show clearly in the trade statistics. UK commercial vehicle exports dropped from £518m to £439m, while imports increased sharply from £417m to £575m.

Leyland Trucks, BL's subsidiary suffered severely from the unprecedented conditions in the truck markets last year and in December halted all capital investment projects pending a review of its manufacturing operations. That increased union fears that Leyland might shut permanently its export truck plant at Bathgate, in Scotland.

According to the Society of Motor Manufacturers and Traders' analysis of Customs and Excise statistics, all sectors of the motor industry went into reverse on the trade account in 1983.

Pretoria close to pact with Maputo

By J. D. F. Jones in Johannesburg

SOUTH AFRICA, rapidly following-up a ceasefire agreement last week with Angola, seems to have achieved a breakthrough in relations with Mozambique, its Marxists and economically ailing neighbour.

It now appears on the verge of signing what will amount to a non-aggression pact with the Government of President Samora Machel, which would be a major step towards detente in southern Africa.

South Africa's black-ruled neighbours have accused the Republic of conducting a campaign of "destabilisation" in the region through alleged sabotage and support for internal dissident movements.

Mr Pik Botha, the South African Foreign Minister, yesterday sealed a day of talks in Maputo, the Mozambique capital, by concluding a meeting with President Machel with a joint communique which said that agreement had been reached on "the central principles concerning security arrangements" and that the two countries intended entering into a formal pact.

A tripartite meeting in Lusaka last week launched a South African-Angolan joint commission under U.S. auspices, and with promise of U.S. assistance, designed to cement the ceasefire in the war across the Angolan frontier.

Angola provides bases for guerrillas for the South-west Africa Peoples' Organisations (Swapo) fighting for the independence of Namibia. South African forces have clashed with Angolan troops in southern Angola.

The South African team in Maputo *yesterday – the first ministerial* visit since Mozambique's independence nine years ago – also included General Magnus Malan, the Defence Minister, Mr Louis le Grange, Minister of Law and Order, and a number of senior generals

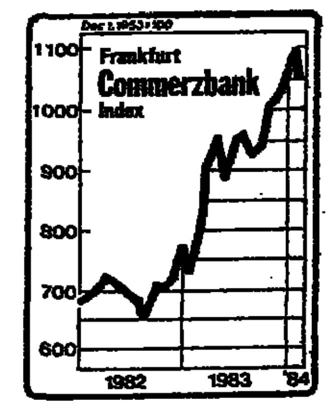
For some years there have been two reciprocal complaints between the governments. South Africa says that it will not tolerate Mozambique's allowing havens or transit *to members of the banned African* National Congress (ANC) which plans guerrillas operations in South Africa.

Mozambique objects to the alleged, and widely believed, South African support of the Mozambique National Resistence, a rebel movement attempting to overthrow President Machel.

Mozambique also knows that it would greatly benefit from a resumption of the pre-independence close economic relationship with South Africa, including tourism, transport, the sale of electricity from the Cabora Bassa hydro project and even loans or investment from the Republic.

THE LEX COLUMN

A window opens in Frankfurt



The lamentable record of German stock markets in providing capital for the country's industry has long been a subject of criticism and concern. Last November, for example, the Bundesbank drew attention to the corporate sector's excessive dependence on bank lending and a string of insolvencies provided abundant support for its argument.

More recently, however, the momentum of new equity issues has started to build. Late last year Wella, the hair care company, successfully launched itself on to the Frankfurt market and yesterday Nixdorf, the computer group, announced that it was floating 20 per cent of its overall equity. As if to underline the point, Metallgesellschaft simultaneously reported plans to offer for sale a minority stake in its Karl Schmidt motor components subsidiary.

A few new issues hardly add up to a revolution in West German corporate finance. Nixdorf first announced its intention to go public several years ago and the present issuing activity may have been inspired more by Frankfurt's bull market than by any sea-change in thinking.

Moreover, the traditional reluctance of German proprietors to part with control of their businesses is as strongly in evidence as ever. Nixdorf's issue will probably capitalise the whole group at more than DM 2bn, enough to make it of real interest to the biggest international funds. Yet, like Wella, the company is proceeding through the issue of non-voting preference shares, instruments which were put out to grass in Anglo-Saxon markets years ago.

But a successful Nixdorf flotation might still encourage other private companies to reconsider their relationship with the banks. The stock market has recently financed the rapid growth of several smaller companies, including Herlitz and [illegible], but for size and appeal Nixdorf overshadows them all. Japanese industry has managed the switch to equity finance with some success thanks in part to the appetite of foreign investors. In Frankfurt, net equity purchases by foreigners increased fivefold to almost DM 3bn last year, so the climate at least looks right.

Oil shares

Leading oil shares in London clung on yesterday to most of the sudden gains notched up late last week in response to the new intensity of the Gulf war. The stock market has heard too many cries of wolf over the Strait of Hormuz in recent years. It is now deeply sceptical that any real threat to world stability lurks in that vicinity, let alone one able to creep up in a matter of days. But no fund manager is going to sit through a crisis in the Gulf with his portfolio underweighted in the oils and the latest panic has benefited most prices across the board.

Furthermore, however little credibility attaches to periodic scares of this kind, they must at least afford the shares in the sector some protection against rumours of a lower price for crude. A sharp collapse in the price, or the fear of it, is the one eventuality most likely to puncture the balloon in North Sea company shares. With worries on that front held at bay by the Gulf crisis, the fashion for these shares might well draw fresh strength from recent exploration results as well as the prospect of a busier takeover scene as Enterprise Oil prepares to enter the lists.

This should perhaps encourage prospective bidders. In a sector where today's premium ratings are far removed from asset value or cash flow, any acquisition runs the risk, after all, of looking rather expensive should the North Sea fashion pass as quickly as it arrived. A little encouragement, anyway, might be timely now that the Oil *Taxation Office has apparently* decided – in the wake of the Forties auction – that it can no longer offer companies the benefit of informal rulings in advance.

The fiscal complexity of the North Sea environment will now be doubly daunting – and has not been simplified by the House of Lords' ruling earlier this month on the definition of tax avoidance schemes. Companies which now find themselves over-endowed with Petroleum Revenue Tax liabilities from newly acquired Forties units, for example, might well ponder this ruling's implications before deciding quite how to announce their next acquisition of tax-effective exploration opportunities.

STC

The London market regularly finds itself on the wrong foot where Standard Telephones and Cables' figures are concerned, a tradition which yesterday's report of a mere 43 per cent increase in pre-tax profits for 1983 – to £32.2m – did nothing to disrupt. STC's shares duly fell albeit only 8p to 278p, yet on this occasion there was little to be disappointed about.

It is evident, for one thing, that STC could have reported considerably higher figures if it had been willing to throttle back only a touch on capital spending or on research and development. Between them, these increased by almost 60 per cent to £113.3m – so there would have been a fair amount of flexibility available for meeting optimistic forecasts.

At a deeper level, there seem to be encouraging reasons for the market to revise the picture of STC which has developed since the company dropped out of the System X project. According to this, STC was being asked to trade its stake in the telecommunications future for a secure income – providing TXE4 digital switching – over a distinctly limited period. But the prospect of supplying British Telecom with a further £200m or so of "enhanced TXE4" – bringing the specification nearer to that of System X – now looks as if it may keep STC in the public switching game almost until 1990.

Another cash-generating activity, undersea cables, also has more life in it than was believed a few months ago. The loss of a couple of satellites, along with worries about the effect of seawater on optical fibres, appears to be encouraging renewed orders for the mature type of coaxial cable.

Together with the extended life of STC's public-switching products, this may mean that the window, through which STC has been allowed to view its future, can remain open for a while longer, while STC should have rather more cash to spend on redesigning itself.

Holmes à Court in bid to lift BHP stake

By Michael Thompson-Noel in Sydney

MR Robert Holmes à Court, the Perth-based financier, yesterday offered approximately A$240m ($226m) for 16m shares in Broken Hill Proprietary (BHP), Australia's biggest company. The offer, if successful, would net him a further 4.6 per cent of BHP's total of 344.7m shares on issue.

The offer was made through Bell Resources, the high-flying mining and resources investment subsidiary of Mr Holmes à Court's master company, Bell Group.

BHP urged rejection of the offer, and counter-attacked by announcing a scrip issue of one new share *for every five held on April 27, 1984.* Earlier this month it announced a one-for-nine rights issue to existing shareholders. The company said yesterday it expected to maintain its current annual dividend of 40 cents on the increased capital.

However, Mr Holmes à Court's latest offer for BHP shares is expected to have greater success than his bold bid for the entire company last August, and dramatises the speed and scope of his move into Australia's resource sector.

Mr Holmes a Court is offering seven shares in Bell resources for every four BHP shares held, or alternatively five shares, plus five options, for every four BHP shares.

Bell Resources shares were trading here at A$8.60 yesterday, and the options at A$3.70 – valuing the latest offer, for 16m of BHP's 344.7m shares, at approximately A$15 per BHP share. Yesterday BHP shares closed at A$13.90.

Bell Resources already owns 8m BHP shares and options, equivalent to 2.3 per cent of the existing share capital. Most of this has been acquired through market purchases, after the previous tender offer secured 792,000 BHP shares.

UK set to block EEC move to cut corn gluten feed imports

BY PAUL CHEESERIGHT IN BRUSSELS

BRITAIN is poised to block a move within the EEC to restrain the imports of corn gluten feed, a by-product of maize processing, which comes largely from the U.S.

Any move in EEC to restrain these imports, however, would risk a sharp reaction from Washington, and a further deterioration in already strained trade relations.

It may also diminish the strength of the protest which EEC foreign ministers are expected to make to Washington on the trend towards protectionism in the U.S., according to Britain's argument.

The EEC Council of Ministers is expected during a two-day meeting to discuss both the issue of corn gluten feed imports and EEC-U.S. trade relations.

Talks today will be the first time that the Council has considered a request from the European Commission for a mandate to negotiate, under the terms of the General Agreement on Tariffs and Trade (Article 28 – the suspension of tariff concessions for corn gluten feed).

The Commission proposal is supported by France, but the British view has support from West Germany, the Netherlands, Belgium and Italy.

The UK is not to the withdrawal of the tariff concessions on principle. Rather, it believes that the manner and the timing are wrong.

First, it does not want to separate the corn gluten feed trade issue from the question of the general reform of the Common Agricultural Policy.

Second, it is apparently at odds with France on the degree of import restraint which is desirable. France is said to want imports held at their average over the three years, 1981–83. But during that period EEC imports doubled and the UK prefers a 1983 reference period.

Third, the UK believes it is inconsistent to criticise the U.S. for the rise in protectionist pressures from its industry while answering sectional calls for protectionism by seeking to change tariff bindings.

But throughout the EEC there is developing concern about moves in the U.S. to use existing trade legislation to cut imports of products like steel, footwear and wine. This is coupled with anxiety about the proliferation of Bills in Congress designed to ensure trade reciprocity on a sectoral basis.

Peugeot calls for Talbot aid

Continued from Page 1

in the history of the French automobile industry.

M Parayre indicated that Peugeot was seeking about £50m ($72.5m) in UK Government aid for the investments at Ryton to enable the Coventry plant to assemble a new medium range car which the French group has code-named C 28. It will probably replace the Talbot Horizon.

Production of this car, which is expected to be a Talbot although Peugeot has yet to make an official announcement, will be centred at Poissy, where the private car group intends to invest FFr 1.2bn over the next two years.

M Parayre said the group's industrial strategy involved integrating Talbot's three main manufacturing plants in France, Spain and the UK.

The idea is for Poissy to produce Talbot models (including the C 28) and the commercially-successful Peugeot 205 "supermini;" for Villaverde in Spain to produce Talbots and the 205 "supermini" but not the C28; and for Ryton to produce the Talbot models, including the new C 28 but not the 205 "supermini."

However, M Parayre said Peugeot did not intend to launch what he called "spectacular measures" to restore commercial credibility to the Talbot marque which has suffered a heavy blow from prolonged Poissy labour troubles.

He said the group was adopting a low profile at present but it envisaged launching an advertising campaign to help boost Talbot's tarnished image.

The Peugeot group was aiming to try to break even this year, although M Parayre acknowledged it was a difficult target and would depend on a number of factors. Among these, the more crucial ones included the absence of price controls on the French market and the ability for the company to reduce its workforce.

M Parayre said "1983 was better than 1982" for the group as a whole. But the improvement will not be translated in the group's consolidated net figures, which will show a bigger net loss last year than the FFr 2.1bn loss in 1982.

Kenneth Gooding, adds from London: There is still considerable scepticism within the UK Department of Trade and Industry about the possibility of Peugeot investing more money in Ryton, which produces the Horizon, Alpine and Solara models.

It is felt that Peugeot will be re*luctant to announced further spend*ing in Britain at a time when it is carrying out major redundancy programmes

However, if Peugeot does not put a new model into Ryton the plant would almost certainly have to be closed

IBM wins key UK cashless shopping role

Continued from Page 1

accepted by retailers, who were not consulted over the details and who see the scheme as expensive and designed for the convenience of the banks rather than of an advantage to them.

Although the decision to go ahead with a nationwide EFT/POS scheme was taken by the clearing banks after years of discussion and several working party reports, the clearing banks are still not united behind the project, planned to start operation in 1986.

Barclays, in particular, is known to favour an "evolutionary" approach principally through the spread of transaction telephones which cost only £385 ($558) against *£500-£1,000 for an electronic point* of sale terminal.

It is therefore backing two horses. It is remaining with the CLCB scheme while supporting the spread of transaction telephone through membership of On-line Card Services.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	9	48	Dubrovnik	C	4	39	Malaga	F	18	64	Salzburg	S	3	37
Akrotiri	S	16	61	Faro	S	16	61	Malta	F	16	61	Seoul	C	7	45
Algiers	F	14	57	Florence	S	8	46	Manila	C	33	91	Singapore	C	29	84
Amsterdam	S	0	32	Frankfurt	F	0	32	Miami	C	26	79	Stockholm	Sn	-3	27
Athens	S	13	55	Funchal	F	17	63	Milan	C	4	39	Strasbourg	F	0	32
Bahrain	C	20	68	Geneva	Sl	3	37	Moscow	Sn	-6	21	Sydney	R	27	81
Bangkok	C	33	91	Gibraltar	-	—	—	Munich	S	0	32	Taipei	C	19	66
Barcelona	S	12	54	Guernsey	F	7	45	Nairobi	-	—	—	Tangier	C	15	59
Beirut	S	18	64	Helsinki	F	-7	19	Naples	C	6	43	Tehran	-	—	—
Belgrade	C	1	34	H. Kong	C	19	66	New Delhi	C	25	77	Tel Aviv	S	18	64
Berlin	C	-1	30	Innsbruck	S	2	36	New York	C	6	43	Tenerife	F	19	66
Biarritz	S	13	55	Inverness	R	2	36	Nice	C	5	41	Tokyo	C	6	43
Blackpool	C	2	36	Istanbul	C	5	41	Oporto	C	12	54	Toronto	C	8	46
Bordeaux	F	12	54	Jersey	F	8	46	Oslo	Sn	-6	21	Tunis	F	12	54
Brussels	S	1	34	Jo'burg	C	31	88	Paris	C	3	37	Valencia	S	17	63
Budapest	Sn	-1	30	Las Palmas	S	20	68	Prague	C	0	32	Venice	S	6	43
B Aires	R	23	73	Lima	S	25	77	Reykjavik	Sn	-1	30	Vienna	C	0	32
Cairo	C	20	68	Lisbon	F	13	55	Rio de J'o	F	25	77	Warsaw	C	-1	30
Cape Town	—	—	—	Locarno	T	3	37	Rome	C	6	43	Zurich	Sn	-2	28
Caracas	C	29	84	London	S	4	39								
Casablanca	C	17	63	Los Angeles	S	18	64								
Copenhagen	Sn	-2	28	Luxembourg	S	-1	30								
Corfu	F	10	50	Madrid	S	10	50								
Dublin	C	5	41	Majorca	-	—	—								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

New futures contracts for London

BY JOHN MOORE IN LONDON

THE LONDON International Financial Futures Exchange (Liffe) yesterday unveiled plans for the launch of an equity index futures contract linked to the minute-by-minute movements of the new FTSE 100-share index.

At the same time the futures exchange announced that it is to *launch a U.S. dollar long interest* rate futures contract based on the 8 per cent 20 year U.S. Treasury bond.

The equity index contract will begin trading on May 3 this year, while the Treasury bond contract will start operation on June 21.

The financial futures exchange, on which investors can enter a firm commitment to buy or sell a specific contract based on a financial instrument of currency at some future date, said that the equity index contract will help investment managers to hedge their portfolios. Its use would allow them "in times of un*certainty" to hedge all or part of* their portfolios "without the need to buy or sell their underlying investments."

The contract value of the UK equity index contract will be £25,000 ($36,250), while the U.S. Treasury bond contract value will be $100,000. The Treasury bond contract will be similar to the contract traded on the Chicago futures exchange.

London's decision to introduce a U.S. Treasury bond is designed to meet the needs of traders in the Eurobond market and of the increasing number of holders of U.S. Government securities who want to *hedge their portfolios ahead of the* opening of the U.S. markets each day.

Mr Michael Jenkins, chief executive of the London financial futures exchange, said yesterday that he did not expect "a rocket takeoff" of both contracts.

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FINANCIAL TIMES
Tuesday February 21 1984

Braun lifts profits 27% despite loss in Latin America

BY JOHN DAVIES IN FRANKFURT

BRAUN, the West German electrical appliance maker, has boosted its profit despite problems in Latin America.

The company, almost entirely owned by Gillette of the U.S., increased its net surplus by 27 per cent to DM 18.7m ($6.98m) in the year to September 30.

Although Brazil and Mexico produced losses, foreign subsidiaries as a whole paid a larger dividend to the West German company and the group reaped the benefit of earlier restructuring measures.

Braun's group worldwide sales revenue edged down 1.6 per cent to DM 968m after disposal of its photographic business and transfer of hi-fi business to an independent company, Braun Electronic.

Electric razors, which earn nearly half the sales revenue, showed scarcely any growth because of recession and a cut in retailers' stocks. But household appliances, including clocks, showed a 12 per cent gain in sales revenue, while hair and mouth care appliances produced 6 per cent more revenue.

Herr Lorne Waxlax, the chief executive, said he hoped for higher revenue and profit this financial year after good results in the first four months.

Braun declined to give details of losses in Latin America, but Herr Waxlax said that the company's greatest problem was in Brazil.

While the worldwide workforce declined 1.8 per cent to 7,700, Braun increased the number of employees in Argentina. Brazil and Mexico because import curbs made it necessary to raise the degree of local production.

Braun wrote down the book value of its Brazilian and Mexican subsidiaries by a total of DM 16m to take account of losses and risks.

Herr Waxlax said that Braun – which was founded 63 years ago and in which Gillette now owns all but a few preference shares – regarded itself as a genuine multinational, with exports and production abroad making up 75 per cent of sales.

But with 60 per cent of production in West Germany, executives argued strongly against current union demands for a cut in the working week from 40 to 35 hours, on the grounds that this would reduce competitiveness and cost jobs.

W. German engineer to hive off motor unit

By Our Frankfurt Staff

METALLGESELLSCHAFT, the West German metals and engineering concern, is preparing to launch its motor components unit, Karl Schmidt, as a separate company on the stock market.

The unit, to be known as Kolbenschmidt, will remain effectively under the control of Metallgesellschaft, which will retain about 60 per cent of the capital.

But the capital increase involved in the move will help provide the basis for an expansion of activities in the next few years.

With worldwide sales revenue of just under DM 1bn ($374m) Karl Schmidt has production operations in West Germany, France, the U.S., Brazil and South Africa.

Much of its production goes to motor vehicle manufacturers, but it also supplies process plant concerns and other engineering companies.

Metallgesellschaft said that foreign operations of Karl Schmidt had previously been a financial burden, but now were contributing increasing profits to the concern.

The Karl Schmidt parent unit, excluding foreign operations, reported sales revenue slightly down at DM 626.4m in the financial year to September 30, with net profits rising from DM 12m to DM 14m.

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SHAREHOLDERS CONSIDER FUTURE DIRECTION OF CONSORTIUM BANK

EAB enters a major mid-life crisis

BY WILLIAM HALL IN NEW YORK

EUROPEAN American Bank (EAB), New York's tenth largest bank, which is jointly owned by six European Banks, is going through one of those mid-life crises that periodically afflict most jointly owned or consortium banks throughout the world.

EAB is the largest of several consortium banks set up by a group of European banks that operate around the world under the umbrella of a banking "club", known formally as the European Banks International Company (Ebic). EAB, like most consortium banks of its generation, was formed to give its shareholders joint representation in a major banking market where they were unrepresented.

However, since it was established in 1968 circumstances have changed and all its major shareholders now have large and growing New York banking operations that overlap at least partly with EAB's. Other consortium banks around the world are facing similar problems of redefining their relationship with their shareholders and their niche in the market, but in EAB's case a number of things have happened recently that are very difficult for its shareholders to ignore.

Sooner or later the six banks involved – Amsterdam-Rotterdam Bank, Creditanstalt-Bankverein, Deutsche Bank, Midland Bank, Société Générale de Banque and Société Générale (France) – will have to decide what they want to do with EAB. It is looking increasingly likely that one of the shareholders will step in to buy the whole operation.

There are a number of reasons why EAB's owners cannot delay taking a decision on the bank's future for much longer.

The first is that, following the early retirement last year of Mr Harry Ekblom, EAB's chief executive for 13 years, EAB's shareholders have to choose a new chairman and chief executive.

The second, is that Britain's Midland Bank is supposed to reduce its stake in EAB from 20.125 per cent to 5 per cent or less by the end of this year, as part of the deal it made with the Fed to win approval for its 1981 purchase of a majority stake in Crocker National Corporation, the West Coast banking group.

The problems of finding a successor for Mr Ekblom and a replacement for Midland Bank would not be paticularly difficult if EAB could boast a healthy profit growth over the years and a decent return for its shareholders.

However, its track record has not been impressive. Earnings peaked at $33.3m in 1981 and have been falling since, although its balance sheet has risen by 7 per cent to $8.7bn and the bank has had the benefit of extra capital provided by shareholders.

Last year the bank earned $19.2m after charging $62.2m in loan loss provisions, 45 per cent up on the previous year. In the final quarter of last year EAB reported a net loss of $6.9m after charging-off $11.1m for non-recurring items, most of which related to systems development in automation.

EUROPEAN AMERICAN BANK

	Net Income $m	Non-performing loans $m
1977	9.6	53.2
1978	14.1	50.6
1979	21.0	53.7
1980	30.8	65.0
1981	33.3	93.0
1982	30.4	297.7
1983	19.2	222.0

Group return on assets of 0.23 per cent is among the lowest of the major U.S. banks, while its $222m of non-performing loans, equalled 3.8 per cent of total loans, which is higher than average. Meanwhile, shareholders have seen scant return on the $50m new capital injected over the last three years, and it is likely that the dividend, reduced by more than a quarter in 1982, will be cut again to help the bank bolster capital ratios.

Although it has not been particularly profitable of late, EAB is a large bank and would not be easily digested by any but one of the biggest banks in the world. With shareholders' funds close to $400m, 92 offices in the New York/Long Island area and 4,500 staff, almost half of whom are currently moving into a new 1m sq. ft. office complex in a New York suburb, European American ranks as one of the largest foreign-owned banking organisations in the U.S.

EAB's problems can be divided into two categories. The first, and most obvious, problem relates to its shareholders. Very simply, EAB was set up to do a job for which there is no longer much of a need now that its parents are well represented in New York. This could be resolved by it being acquired by one of its shareholders.

But EAB's second problem, which it shares to varying degrees with most other foreign banks in New York, cannot be solved so simply. In common with many foreign banks in the U.S., EAB is struggling to find a niche in a market undergoing fundamental change.

America is the largest single banking market in the world and the source of dollars, the stock in trade for all international banks. If a foreign bank wants to play a major role in international banking, a U.S. presence is vital. But to date few foreign banks appear to have found the right niche.

EAB's history underlines the changing nature of foreign bank's business in the U.S. When it was formed from the core of the old Belgian-American Banking Corporation, in the late 1960s, one of the main sources of its business loan volume was connected with servicing the needs of European investors in the U.S.

By the early 1970s, the bank was becoming concerned about the high cost of money and in common with several other foreign banks decided that it needed to establish its own local branch network to collect "cheap deposits."

In October 1974, it bought 100 branches and $1.6bn of assets from the failed Franklin National Bank, which transformed EAB into a major retail bank. Since then the retail banking market has become increasingly competitive and several foreign banks are reassessing the necessity for maintaining high cost branch networks to collect deposits when alternative funding sources are available.

At the same time, EAB continued to focus on its traditional business of servicing the major U.S. corporations, but as competition increased, it began to widen its horizons and move into the medium-to-small corporate market in its search for new business.

It has been successful in one or two specific areas, such as financing the breeding of thoroughbred horses and New York's diamond trade, but is facing fierce competition as many U.S. banks have redeployed loan officers from international lending to domestic lending.

Finally, EAB has also been surprisingly active in international lending to several countries that have run into financial problems.

At the end of 1982, its outstanding loans to Mexico, Brazil, Argentina and Venezuela were the equivalent of 170 per cent of EAB's shareholder funds, which ranks among the higher relative exposures of major U.S. banks. With hindsight, EAB might have been better advised to stick to the domestic U.S. market and leave such lending to its parents which are already well exposed to Latin America. But EAB's push into the international market partly resulted from its inability to generate sufficient domestic U.S. loan business on attractive terms.

Rome concerned over troubled property fund

BY JAMES BUXTON IN ROME

THE FINANCIAL difficulties of Europrogramme, an Italian property investment fund, have prompted questions in the country's parliament.

Sig Giovanni Goria, Treasury Minister, told parliament that the Government was "watching the vicissitudes of Europrogramme with great concern." But he added that there was nothing the Government could do.

He said that the difficulties of the fund, which is controlled by the financier Sig Orazio Bagnsco, were the result of the reversal of the proportion of those buying to those selling their holdings in the fund.

Doubts about Europrogramme arose recently when the Swiss-registered fund reported that the value of its assets had risen only 4 per cent to about L1,200bn ($723m) in the year ended June 1983, compared with growth of 25.9 per cent in the previous 12 months.

Sig Bagnasco last month said in his regular letter to the 75,000 shareholders, many of whom bought the unquoted certificates from door-to-door salesmen, that they should hold on to their shares because the property market was likely to revive soon.

Last month Europrogramme said it was planning to raise more capital and obtain a stock exchange quotation through a complex formula involving the purchase of a company named Fornara, which is quoted on the Turin bourse.

It is planned to inject the assets of Europrogramme into Fornara and to obtain a quotation on the larger Milan stock exchange.

Fläkt earnings decline

BY DAVID BROWN IN STOCKHOLM

FLÄKT, the Swedish ventilation equipment and pollution control group, yesterday reported an 11 per cent decline in 1983 pre-tax earnings to SKr 184m ($23.1m) from SKr 207m a year earlier.

Sales climbed 9 per cent to SKr 7.6bn, but volume was stagnant, the group reported.

The decline was due to an extraordinary loss of SKr 15.1m stemming from plant shutdowns in Brazil and from extensive restructuring, especially in Mexico, the U.S., and West Germany. The group posted an extraordinary gain from property sales of SKr 10m a year earlier.

Before extraordinary items, the result was slightly up from last year's level at SKr 199.1m, mainly because of an improvement in net interest income by SKr 40m to SKr 55m.

Before financial items, operating results were SKr 175m against the SKr 205m achieved a year before.

Danish sugar group plans rights issue

By Hilary Barnes in Copenhagen

DDE DANSKE Sukkerfabrikker (DDS) plan a DKr 50m ($5.15m) rights share issue at market price which will increase the company's share capital from DKr 435m to DKr 485m.

The price of DDS shares fell from DKr 800 to DKr 715 on news that the issue would be at market price, but at the lower price the issue still yielded about DKr 360m.

The company, which increased its group sales from DKr 5.3bn to DKr 7.5bn between 1981 and 1983, said the money would be used for financial consolidation and new investments.

Philips man takes charge at Grundig

MR HERMAN KONING, at present head of Deutsche Philips, the West German holding company of Philips of the Netherlands, has been appointed successor to Dr Max Grundig as chairman of the board of Grundig.

Hefner family tightens grip on Playboy

By Paul Taylor in New York

MISS CHRISTINE Hefner, the 31-year-old daughter of Mr Hugh Hefner, founder and chairman of Playboy Enterprises, who became president of the Chicago-based publishing and entertainment group in 1982, is to assume the additional post of chief operating officer, consolidating the Hefner family's grip over the company.

Playboy also announced that as part of a management reorganisation, the office of the president, established in April 1982, will be abolished and that two of its senior executives, Mr Marvin Huston, an executive vice-president who shared the office of the president with Miss Hefner, and Mr Stephen Silversmith, senior vice-president and chief financial officer, will leave the company this year.

Earlier this month, Playboy posted its first quarterly profit for two years, reporting net earnings of $1.2m or 12 cents a share, on revenues of $53.5m in the quarter ending December 31. A few days later it announced the sale of its 45 per cent interest in the Playboy hotel and casino in Atlantic City

Sale of loss-making divisions fails to lift Abercom result

BY JIM JONES IN JOHANNESBURG

ABERCOM, the South African engineering group, marked time in the six months to the end of 1983 despite the fact that it had earlier sold its loss-making operations.

A first-half operating profit of R7.86m ($6.4m) was earned before tax and interest on sales of R103.3m. In the corresponding period of 1982, sales were R112.1m and the operating profit was R7.72m. The year to June 30, 1983 resulted in sales of R208m and an operating profit of R14.28m.

Mr Peter Herbert, chief executive, said the wholly owned subsidiary Abertech Industries, which makes springs and motor vehicle components, enjoyed higher volumes and margins in part due to restocking by the motor industry.

Davidson, the fan manufacturing division, continued to experience difficulties at its U.S. operations, but improved its performance in South Africa and Australia. On the other hand Consani, which makes process equipment, suffered from a shortage of work due to project cancellations and delays, operating only at break-even.

An interim dividend of 6 cents should be declared from first half earnings of 22 cents a share. The six months ended December 31, 1982 resulted in earnings of 12 cents a share and an interim dividend of 16 cents. A final dividend was not declared at the end of the last financial year.

Mr Herbert does not expect the South African economy to improve until early in 1985 and says that results in the second half of the current financial year are likely to be similar to those of the first half.

Abercom has emerged as a possible buyer of a controlling interest in the troubled explosives and fertiliser company, Hanhill. This follows prohibition by the Government's competition board of a proposed R20m purchase of Hanbill by the country's largest chemicals group, AECI.

AECI now has more than 95 per cent of South Africa's R400m a-year explosives market. Abercom has an option to acquire a controlling share of Hanbill but will only exercice this once it has examined the small chemicals company and is convinced that it can break AECI's stranglehold on the domestic explosives market.

Fund-raising for Générale Biscuit

By David Marsh in Paris

GÉNÉRALE BISCUIT, France's leading biscuit company, is raising FFr 330m ($40m) through a dual issue of new shares and a convertible bond offering on the Paris capital market.

The company will raise its nominal capital to FFr 136.6m from FFr 124.2m through a one – for 10 rights issue of 124,209 shares valued at a nominal FFr 100, issued at FFr 1,000.

At the same time, the company is raising FFr 206m through a bond issue at 9.75 per cent, convertible into shares on a one-for-one basis effective January 1 1986.

Genérale Biscuit's fund-raising exercise follows a stream of similar capital increases made on the Paris bourse during 1983.

First drop in profits for seven years at Komatsu

BY TERRY POVEY IN TOKYO

KOMATSU, the world's second largest manufacturer of construction machinery, has reported a 5.6 per cent drop in net profits for 1983 to Y30.6bn (U.S.$131.1m)—the first time in seven years that the parent company has experienced a year-on-year fall. Lower overseas sales of construction machinery and generally reduced demand for industrial heavy machinery were the main causes of the fall, said the company.

Unconsolidated sales totalled Y611bn, down by 6.3 per cent from the Y653bn of 1982. Pre-tax profits were 13.1 per cent lower at Y56.5bn. Net profits per share were Y37.80 against Y40.53 in 1982. The dividend total for the year is an unchanged Y8.

In its main line of business—construction machinery—the company had a small increase in domestic sales (proof it says of the revival of the Japanese economy), but a fall of almost 9 per cent in exports. Price cutting in the Middle East as the company faced tough competition from European companies which had the advantage of weaker currencies, appears to have played a major role in this reduction.

Lower capital spending, both domestically and worldwide, was reflected in falling demand for the company's heavy metal presses, the main item in its industrial machinery division. Exports accounted for 61.5 per cent of total sales about 2 per cent lower than in 1982.

On the financial side Komatsu managed to reduce its overall borrowings by Y12.5bn and so bring its ratio of net worth to total capital up to 40.7 per cent.

For 1984 the company is looking for a continuing recovery in domestic demand for construction machinery but for exports still to be declining. For the year total sales are seen as reaching Y630bn—a rise on last year's level but still below the 1982 figure. Net profits are forecast as increasing only marginally to Y31bn—suggesting further pressure on margins.

Sime Darby sells stake in Taiping

By Wong Sulong in Kuala Lumpur

SIME DARBY, the plantation-based conglomerate, is selling a 31 per cent stage in Taiping Consolidated for 18.6m ringgit (US$8m) to two Malay institutions.

The Negri Sembilan State foundation, and the Malaysian Islamic Economic Development Foundation are paying 30 ringgit each for 620,000 shares.

The two Malay institutions will not make a general offer since the purchase does not exceed the trigger takeover point of 33.3 per cent.

Sime will still hold 38 per cent of Taiping's 2m shares and it is believed that a Chinese group, under Datuk Chen Lip Keong, chairman of First Allied Corporation Berhad, is trying to buy over another substantial stake from Sime.

Apart from its listed status, the attraction of Taiping is that its 25,000-acre estate lies near the national university campus at Bangi, and the land is therefore ideal for property development.

Brierley group disposes of Wattie shareholding

BY OUR FINANCIAL STAFF

BRIERLEY INVESTMENTS, the New Zealand diversified holding company controlled by Mr Ron Brierly, confirmed yesterday that it has sold its 10.5 per cent shareholding in Wattie Industries, the food manufacturer which has been at the heart of the country's biggest takeover battle.

Last Friday New Zealand Forest Products formally withdrew its bid to gain control of Wattie after what it called a "satisfactory agreement" had been reached with Goodman Industries, the bakery and food group which owns 35 per cent of Wattie's shares, and with Wattie itself.

Brierley's sale of its stake in Wattie, for which it is thought to have paid about NZ$50m (US$33.1m), now represents the unwinding of the last phase of what had become a complex and confusing situation originally sparked off by Wattie and Goodman's own bid for NZFP late last year.

Brierley declined to name the buyer of its Wattie shares, but said the other party was not Wattie, Goodman, or NZFP.

Singapore purchase by Kuwait

SINGAPORE — The Kuwait Government's Kuwait Investment Office has acquired 33.33 per cent of Overseas Union Bank (OUB) Centre.

KIO paid S$132m (U.S.$62m) or S$1.65 a share for the 80m S$1 new shares issued to raise OUB Centre's capital from S$160m to S$240m.

The new money will be used to fund construction of a 60-storey office and shopping complex scheduled for completion in June. The rest of the shares are held by OUB's subsidiaries.

Reuter

Keppel Shipyard to have new chairman

By Chris Sherwell in Singapore

KEPPEL SHIPYARD, the Government-controlled Singapore ship-repair company and one of the island state's leading corporations, is to have a new chairman.

He is Mr Sim Kee Boon, the head of the civil service and a permanent secretary in the Ministry of Finance, who is retiring from his posts when he turns 55 later this year.

Keppel, Singapore's oldest shipbuilding and ship-repairing company, is currently chaired by Mr George Bogaars. He will leave after almost 14 years in the post at the next annual general meeting, expected in May.

The company is publicly listed but 71 per cent owned by the Singapore Government through Temasek Holdings. Last year it acquired control of Straits Steamship from Ocean Transport and Trading in a deal which valued the company at close to S$500m (US$235m).

In its most recent annual report Keppell lists 33 subsidiaries and 28 associated companies, the bulk of them in Singapore. Apart from ship repairing and shipbuilding, it is becoming more involved in property development and financial activities.

It is not clear whether Mr Bogaars will also step down from his chairmanship of Straits Steamship and Far East-Levingston Shipbuilding, also a Keppel subsidiary. If he is moving for health reasons, as is widely suspected, further announcements seem likely.

In its interim results for the six months to June 1983, Keppel reported sharply lower pre-tax profits of S$23.5m compared with S$83m in the same period the previous year. The directors blamed the "very depressed" shipping market and said they did not expect a significant improvement in the second half.

AECI and TFI to end partnership

BY OUR JOHANNESBURG CORRESPONDENT

AECI, South Africa's largest chemicals group, and Triomf Fertilizer Investments (TFI) expect to conclude negotiations this week on the cancellation of their partnership agreement in the fertiliser manufacturing company, Triomf Fertilizer. AECI holds 49 per cent of Triomf Fertilizer, while TFI has the remaining 51 per cent.

Triomf Fertilizer was formed 10 years ago by the merger into one company of AECI's fertiliser plants and Somerset West and Chloorkop, and TSI's factory at Potchesstroom. Since the merger, Triomf Fertilizer has established the Richards Bay phosphate fertiliser plant.

Triomf buys its organic feedstock from AECI and from SASOL, the oil-from-coal group, and last September it took both its suppliers to court. A separation of the interests of AECI and TFI in Triomf Fertilizer has seemed inevitable since then.

The performance of Triomf Fertilizer has been particularly badly affected by the slump in both domestic and export demand for fertilisers. In the six months ended June 30, 1983 the company suffered a loss of R10.5m (S8.6m) and losses continued into the second half of the year.

Trading in TFI shares was suspended on the Johannesburg Stock Exchange for two days yesterday at the request of the company, and a further announcement is expected tomorrow.

TFI says that its shareholders can expect a considerable rise in the intrinsic value of their investments once it breaks with AECI and that the post-split profit potential will be remarkable.

Kirsh Trading returns Checkers to the black

BY OUR JOHANNESBURG CORRESPONDENT

KIRSH TRADING has succeeded in returning South Africa's largest supermarket chain, Checkers, to profits. In the six months ended December 31 1983 a pre-tax interim profit of R6.2m ($5.1m) was earned on turnover of R715m. In the corresponding period of 1982 there was a pre-tax loss of R2.9m on a turnover of R590m. The year ended June 30 1983 resulted in a pre-tax loss of R12.5m and turnover of R1.19bn.

On January 1 1984, Kirsh Trading was enlarged by the injection of other interests held by the Kirsh group in furniture retailing, wholesaling, liquor and discounting. The effect of this will appear in the results for the second half.

Checkers has borrowed R100m from a banking consortium as a bridging loan to finance its stores development programme. Once this is completed it is intended to sell selected property developments and to eliminate the group's borrowings entirely by the end of this financial year.

During the six months just ended 13 new Checkers stores were opened and the new store programme, which includes refurbishing existing outlets, is planned to continue through 1984 and 1985. At the end of December 194 Checkers stores were in operation.

Mr Nathan Kirsh, the chairman, expects trading conditions to remain difficult during 1984 due to higher taxes, higher unemployment levels, the continued effects of the drought, and the prohibitively high cost of borrowing.

On a pro-forma basis the enlarged Kirsh Trading earned 29.8 cents a share in the half year ended December 1983 and has declared an interim dividend of 10 cents.

Investcorp sticks to its long-term guns

BY MARY FRINGS IN BAHRAIN

IN THE HEYDAY of Kuwait's unofficial stock exchange, the Suq al Manakh, almost all the companies listed there were themselves speculating in shares. It made little difference whether they were bona fide investment companies, or involved in trading, manufacturing or construction. Sometimes capital was committed to the market even before a company was formally incorporated—a problem which confronted the incoming management of at least two Bahrain offshore banks.

Arabian Investment Banking Corporation—or as it prefers to be known, Investcorp—was an exception. Although its own 1982 share issue was launched on a tide of speculation, which resulted in its being 1,420 times oversubscribed, the company started out as a management in search of shareholders, rather than the other way round. And it steered well clear of the Manakh.

This week Investcorp declared a net profit of US$10.2m for its first 18 months of operation, and recommended the distribution of a 15 per cent dividend on its paid-up capital of US$50m.

Total assets at the end of the period amounted to U.S.$81.3m, and shareholders' funds after dividends and appropriations stood at U.S.$52.2m.

By western standards, this represents a solid achievement on the part of a new company which spent six months setting up its infrastructure. Gulf investors are more impatient, and some criticise its progress as ponderously slow. But what really hurts is that Bahrain's biggest stagging operation on record failed to come off. Subscribers to the public share issue who had borrowed heavily to finance a large application received a small and therefore costly allocation — and were unable to unload the shares for an immediate profit. Share prices tumbled generally, and Investcorp's shares are now standing at about one-tenth of what a few subscribers paid for them, even though the market price is still well above the 25 per cent paid up nominal value.

Advance warning

Some Bahraini investors rudely refer to Investcorp as the screwdriver; being screwed in Arabic means being cheated, just as it does in English. A 15 per cent dividend is not going to change their opinion, when it works out at 1.5 per cent of their initial outlay.

In fact, they have only themselves to blame, since they were warned in advance that Investcorp was geared to long-term returns, and was not a vehicle for speculation. It is hardly the company's fault that the stock market bubble burst so soon after its debut.

The founders of the company are legally barred from disposing of their shares in the first three years—a structure which will now be observed, since the temptation to circumvent it no longer exists. They are drawn from among Gulf ruling families and wealthy investors in every state, and none holds more than one half per cent of Investcorp's issued capital of U.S.$200m. This unusual strategy, in a region where it is easy to raise US$10m to US$20m from a single source, was designed to give the company the widest possible placing power.

Even among these sophisticated investors, Mr Nemir Kirdar, the president and chief executive of Investcorp, has found a measure of disbelief over the absence of exposure to the Manakh. For this reason—as well as because Kirdar himself is in favour of full disclosure—the company is giving a more than usually detailed financial report. Asset-based income of U.S.$13.4m is broken down into Treasury earnings (U.S.$10.5m), stocks—all in triple A companies on the U.S. market (U.S.$1.1m), and real estate (U.S.$1.7m), less interest expenses of U.S.$2.7m to give a net US$10.7m. Fee income on foreign exchange and real estate transactions amounted to U.S.$2.2m.

Formation surplus

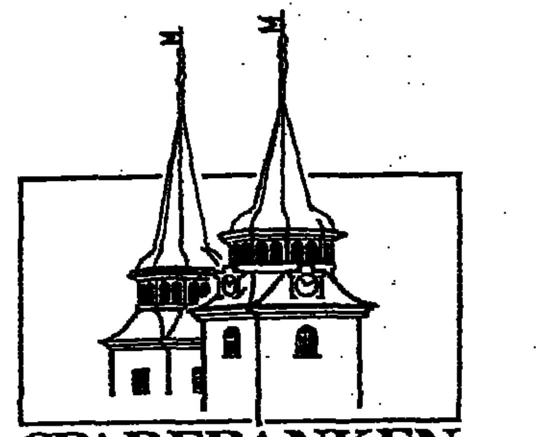
From the resulting operating income of U.S.$12.9m, there was a deduction for operating costs of U.S.$4.4m. But there was an exceptional item on the profit side of U.S.$1.7m, representing the difference between actual start-up costs and the charges paid by investors on the formation of the company.

Since January, 1983, Mr Kirdar says, the Treasury division has been active in deposit-taking and placing, and in foreign exchange transactions either for customers or on its own account.

In March, the international real estate division completed the acquisition of a U.S.$52m half-share in the 20-storey Manulife building in Los Angeles. For placement with clients, this investment has been broken down into 208 shares priced at U.S.$250,000, of which Investcorp has retained 50.

A smaller direct investment in ANW, the leading U.S. producer of root beer, is being retained entirely by Investcorp. In a leveraged buy-out deal, Investcorp provided a U.S.$5m subordinated loan to ANW at 15 per cent interest, and acquired a 10 per cent stake in the company for U.S.$100,000.

This year, Investcorp plans to add a new product line by setting up a number of unit trusts open to the general public. The choice is likely to include U.S. equities, Japanese equities, currencies, real estate, venture capital, and a combination fund. Mr Kirdar said the company would seek specialist co-managers for each fund. He added that he envisaged calling up another U.S.$50m in capital by 1985.



This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange"), for the purpose of giving information with regard to the Asian Development Bank (the "Bank") and the Stock. The Bank has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. The Bank accepts responsibility accordingly.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not contained herein must not be relied upon as having been authorised by the Bank or by any of the Underwriters set forth below. This Prospectus does not constitute an offer to subscribe or sell or a solicitation of an offer to subscribe or buy the Stock in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The issuance of this Prospectus and the issue, subscription, offering and sale of the Stock is not a waiver by the Bank or by any of its members, Governors, Alternate Governors, Directors, Alternate Directors, officers or employees of any of the rights, immunities, privileges or exemptions conferred upon any of them by the Agreement Establishing The Asian Development Bank or by any statute, law or regulation of any member of the Bank or any political subdivision of any member, all of which are hereby expressly reserved.

The Stock is not open for applications to subscribe by U.S. persons. "U.S. person" means any person who is a national, citizen or resident of, or who is normally resident in, the United States, including the estate of any such person and any corporation, partnership or any other entity created or organised in the United States. "United States" means the United States of America, its territories and possessions and all areas subject to its jurisdiction. References herein to "$" or "dollars" are to United States dollars.

Dated 20th February, 1984

ASIAN DEVELOPMENT BANK

Asian Development Bank

Issue on a yield basis of

£100,000,000 Loan Stock 2009

payable as to £25 per cent. of the nominal amount on application
and as to the balance of the issue price not later than 24th July, 1984
with interest payable half yearly on 24th September and 24th March.

The Issue has been underwritten by

S. G. Warburg & Co. Ltd.

Baring Brothers & Co., Limited

County Bank Limited

Kleinwort, Benson Limited

Morgan Grenfell & Co. Limited

J. Henry Schroder Wagg & Co. Limited

The £100,000,000 Loan Stock 2009 (the "Stock") will be available either in registered form ("Registered Stock") represented by stock certificates ("Stock Certificates") or, at the election of the person entitled thereto, in bearer form represented by bearer bonds ("Bearer Bonds") in the denomination of £5,000 each.

Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List for dealing in the Gilt-edged market. It is expected that dealings in the Stock on The Stock Exchange will begin on Friday, 24th February, 1984 without documents of title and at seller's risk for deferred settlement on Thursday, 1st March, 1984.

Renounceable allotment letters (partly paid) in respect of the Stock will be issued on Wednesday, 29th February, 1984. Stock Certificates and Bearer Bonds will be available on 24th August, 1984 provided the balance of the moneys payable has been duly paid.

THE APPLICATION LIST WILL OPEN AT 10.00 A.M. ON THURSDAY, 23rd FEBRUARY, 1984 AND WILL CLOSE LATER THE SAME DAY.

SELECTED INFORMATION RELATING TO ASIAN DEVELOPMENT BANK

Asian Development Bank is an international financial organisation which was established in 1966 in order to foster economic growth in its developing member countries in Asia and the Pacific. The Bank's capital stock is owned by its 45 member countries. As at 31st December, 1983, of the Bank's capital stock, approximately 64 per cent. was owned by member countries which were also members of OECD (Organisation for Economic Co-operation and Development).

The Bank's primary activity is making loans to finance projects in the territories of its developing member countries. Such activity is divided into ordinary and special operations, for which separate financial statements are maintained. Ordinary operations are financed from ordinary capital resources and special operations from Special Funds resources, most of which are contributed by members. Under the Agreement Establishing The Asian Development Bank (the "Charter"), the ordinary capital resources and the Special Funds resources of the Bank must at all times be held and used entirely separately from each other.

The Bank's present policy is to limit total borrowings and guarantees in its ordinary operations to an amount not exceeding the callable capital stock of members whose currencies are convertible.

Set out below are selected data relating to the Bank's ordinary operations and ordinary capital resources:—

	Year ended 31st December,			
	1980	1981	1982	1983
	(millions of dollars)			
Cash (unrestricted), investments and Special Reserve Fund assets — end of year	1,400	1,676	1,962	2,303
Effective loans — end of year:—				
Disbursed and outstanding	2,095	2,332	2,685	3,106
Undisbursed	2,362	2,744	3,352	3,613
Borrowings outstanding — end of year:—				
From capital markets	1,523	1,881	2,479	3,164
From official sources	349	393	331	265
Capital and reserves — end of year:—				
Paid-in capital, reserves and accumulated net income	2,173	2,301	2,375	2,502
Callable capital	7,084	6,681	6,363	9,852
Net income	146	161	175	180
Cash (unrestricted), investments and Special Reserve Fund assets as a percentage of:—				
Borrowings outstanding — end of year	74.79%	73.70%	69.82%	67.16%
Undisbursed loan balances — end of year	59.27	61.08	58.53	63.73
Average cost of:—				
Borrowings contracted during year	8.70%	9.30%	9.72%	8.54%
Borrowings outstanding during year	7.81	8.14	8.38	8.56
Total borrowings outstanding and other funds available during year	4.18	4.28	4.82	5.19
Average interest rate on:—				
Loans approved during year	8.79%	9.99%	11.00%	10.56%
Disbursed and outstanding loans — end of year	8.08	8.08	8.12	8.23
Commitment charge on undisbursed loans	0.75%	0.75%	0.75%	0.75%
Return on:—				
Average investments	9.81%	10.56%	11.42%	10.28%
Average earning assets	9.26	9.65	10.06	9.58
Average life (years) of:—				
Total borrowings outstanding — end of year	5.78 yrs.	7.03 yrs.	7.41 yrs.	7.72 yrs.
Approved loans — end of year	11.22	11.25	11.35	11.22

The above information should be read in conjunction with the detailed information and financial statements appearing elsewhere in this Prospectus.

INFORMATION RELATING TO THE ISSUE

Procedure for Application

Each application for Stock must be made in the form of the application form provided herewith and must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU (the "Receiving Bank") not later than 10.00 a.m. on Thursday, 23rd February, 1984 and must comply with the provisions of "Terms of Payment in Respect of Applications" below.

Applications for Stock must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	Multiple
Up to £1,000	£100
£1,000 to £10,000	£1,000
£10,000 to £100,000	£10,000
£100,000 or greater	£100,000

S. G. Warburg & Co. Ltd., on behalf of the Bank, reserves the right to reject any application and to accept any application in part only. If any application is not accepted, the relevant application form and the amount paid thereon will be returned by post at the risk of the person submitting the application and, if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned.

S. G. Warburg & Co. Ltd., on behalf of the Bank, will announce the basis of allotment by 9.30 a.m. on Friday, 24th February, 1984. It is expected that confirmation of allotments will be despatched on that day. Acceptances of applications for Stock will be conditional (*inter alia*) upon the Council of The Stock Exchange admitting the Stock to the Official List on or before Wednesday, 29th February, 1984. No applications for Stock will be accepted or, as the case may be, acceptances of applications for Stock will become void, if the Underwriters exercise their right to terminate the Underwriting Agreement or if the conditions are not fulfilled (see "Underwriting Arrangements" below).

Terms of Payment in Respect of Applications

Each application, unless made by a recognised bank or stockbroker (as defined below) taking advantage of the alternative method of payment described below, must be accompanied by a cheque made payable to "Lloyds Bank Plc" and crossed "ADB Loan", representing payment at the rate of £25 per cent. of the nominal amount of Stock applied for. Such cheques must be drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

The alternative method of payment, for payments of £10,000 or more, is available only to recognised banks or stockbrokers who irrevocably engage in the application forms lodged by them to pay the Receiving Bank for credit to the account designated "ADB Loan—Alternative Payment" by 10.00 a.m. on Wednesday, 29th February, 1984 the amount in Town Clearing Funds (as defined below) representing payment at the rate of £25 per cent. of the nominal amount of Stock in respect of which their applications shall have been accepted.

The despatch of any letter of allotment, and the refund of surplus application moneys (if any), may at the discretion of S. G. Warburg & Co. Ltd., on behalf of the Bank, be withheld until the applicant's remittance has been cleared. In the event of such withholding, the applicant will be notified by letter by the Receiving Bank of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to clearance of his remittance, but such notification will confer no right on the applicant to transfer the Stock so allocated.

Settlement of the balance due on 24th July, 1984 may be made either by means of a cheque drawn as aforesaid, to be despatched to the Receiving Bank so as to be cleared not later than 12 noon on 24th July, 1984 or, for payments of £10,000 or more, by means of Town Clearing Funds (as defined below), to be received by the Receiving Bank not later than 10.00 a.m. on 24th July, 1984. Such balance may be paid in advance of its due date but no discount will be allowed or interest paid on such balance for any period prior to 24th July, 1984. Failure to pay such balance when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. The Bank further reserves the right, without prejudice to any other rights, in default of payment of such balance, to sell any such Stock fully paid for its own account.

Interest at the rate of two per cent. above the Base Rate for the time being of Lloyds Bank Plc may be charged on any overdue amount which may be accepted.

The expression "recognised bank or stockbroker" shall mean any organisation which is a recognised bank for the purposes of the Banking Act 1979 and any firm of stockbrokers which is a member of The Stock Exchange and such other banks or brokers as S. G. Warburg & Co. Ltd., on behalf of the Bank, shall determine for the purposes of the issue.

The expression "Town Clearing Funds" shall mean a cheque or banker's payment for £10,000 or more drawn on a Town Clearing Branch of a bank in the City of London.

Delivery

Renounceable allotment letters (partly paid) in respect of Stock allotted will, except as provided for in the following sentence, be despatched on Wednesday, 29th February, 1984 by first class post to, and at the risk of, the person submitting the application in accordance with the instructions stated on the application form. A recognised bank or stockbroker (as defined above) using the alternative method of payment may, by ticking Box A on the application form, request that the renounceable allotment letter be retained at Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU for collection between 3.00 p.m. and 5.00 p.m. on Wednesday, 29th February, 1984. Any uncollected allotment letters will be despatched by first class post as above.

Allotment letters may be split up to 3.00 p.m. on 20th July, 1984 in accordance with the instructions contained therein into denominations or multiples of £100 nominal amount of Stock.

Unless a duly renounced fully paid allotment letter with the registration application form duly completed is received by the Receiving Bank at or before 3.00 p.m. on 24th July, 1984 or an election has been made to receive Bearer Bonds in accordance with the following paragraph, the Stock represented by such allotment letter will be registered in the name of the original allottee and thereafter Registered Stock will be transferable only by instrument of transfer.

Allotment letters will provide for holders of Stock to elect to take delivery of Bearer Bonds, in the denomination of £5,000 each only, instead of Registered Stock. Each holder of Stock who elects in the allotment letter to receive Bearer Bonds may choose to receive the Bearer Bonds in one of the following ways:—

(a) by collection from the offices of Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU or Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA; or

(b) by delivery to an existing account with the Euro-clear System or CEDEL S.A.; or

(c) by post, at the risk of the applicant.

Bearer Bonds are expected to be available for delivery on and after 24th August, 1984.

Stock Certificates will be despatched on 24th August, 1984 at the risk of registered holders of Stock to each registered holder (or, in the case of joint holders, to the first-named) at his registered address.

After 24th August, 1984 allotment letters will cease to be valid for any purpose.

No Stock Certificate and no Bearer Bond will be made available unless the relevant Stock is fully paid.

Underwriting Arrangements

By an Underwriting Agreement dated 20th February, 1984, S.G. Warburg & Co. Ltd., Baring Brothers & Co., Limited, County Bank Limited, Kleinwort, Benson Limited, Morgan Grenfell & Co. Limited and J. Henry Schroder Wagg & Co. Limited (the "Underwriters") have agreed with the Bank to underwrite the issue of the Stock. The Underwriting Agreement is subject to certain conditions and S. G. Warburg & Co. Ltd., on behalf of the Underwriters, may in certain circumstances terminate the Underwriting Agreement. If the Underwriting Agreement is so terminated or does not become unconditional, no applications for the Stock will be accepted or, as the case may be, acceptances of applications for the Stock will become void.

Determination of Rate of Interest and Issue Price

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a gross redemption yield equal to the Issue Yield as determined on the basis described below.

The Issue Yield shall mean the sum of 1.35 per cent. and the gross redemption yield, rounded to three places of decimals (with 0.0005 being rounded upwards), on 13½ per cent. Treasury Stock 2004-08, the price ex dividend of such Treasury Stock to be the price determined by S. G. Warburg & Co. Ltd. to be the arithmetic mean of the bid and offered prices quoted at 3.00 p.m. on Wednesday, 22nd February, 1984 on a dealing basis for settlement on the following business day by three jobbers in the Gilt-edged market. The gross redemption yield will be expressed as a percentage and will be calculated on the basis set out under "Calculation of Gross Redemption Yields" below.

The rate of interest attaching to the Stock will be determined by S. G. Warburg & Co. Ltd. and will be an integral multiple of one eighth of one per cent. and will be as high as possible consistent with an issue price as near as possible to, but not less than, £87½ per cent. The issue price will also be determined by S. G. Warburg & Co. Ltd. and will be expressed as a percentage rounded to three places of decimals (with 0.0005 being rounded upwards).

It is intended that notice of the Issue Yield, rate of interest and issue price will be published in the *Financial Times* on Thursday, 23rd February, 1984.

Calculation of Gross Redemption Yields

Gross redemption yields will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and the Faculty of Actuaries as reported in the *Journal of the Institute of Actuaries* Vol. 105, Part 1, 1978, Page 18.

TERMS AND CONDITIONS OF THE STOCK

The £100,000,000 Loan Stock 2009 (the "Stock") of Asian Development Bank (the "Bank") has been authorised by a resolution of the Board of Directors of the Bank passed on 16th February, 1984 and will be issued pursuant to an instrument to be dated 23rd February, 1984 and to be executed by the Bank (the "Instrument").

The Stock will not be an obligation of any government.

Status

The Stock will represent a direct and unsecured obligation of the Bank and will rank *pari passu* with all bonds, notes and other evidences of indebtedness issued, assumed or guaranteed by the Bank.

Negative Pledge

As long as any of the Stock shall be outstanding and unpaid, the Bank will not cause or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any indebtedness heretofore or hereafter issued, assumed or guaranteed by the Bank for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Bank as security for all or part of the purchase price thereof), unless the Stock shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such other indebtedness.

Interest

The Stock will bear interest from 29th February, 1984 at a rate per annum to be determined in accordance with "Determination of Rate of Interest and Issue Price" above. Interest will be payable by equal half yearly instalments on 24th September and 24th March in each year ("Interest Payment Dates"), except that the first payment of interest in respect of the period from (and including) 29th February, 1984 to (but excluding) 24th September, 1984 will be paid on 24th September, 1984 and will be calculated using the following formula:—

$$£I = \left(\frac{146}{365} \times \frac{25}{P} \times R\right) + \left(\frac{62}{365} \times R\right)$$

where £I is the first payment of interest on £100 nominal amount of Stock;
R is the percentage rate of interest attaching to the Stock; and
P is the issue price.

Interest will cease to accrue on the Stock on the due date for redemption thereof unless payment of principal is improperly withheld or refused by the Bank.

Form

The Stock will be available either in registered form ("Registered Stock") represented by stock certificates ("Stock Certificates") or, at the election of the person entitled thereto, in bearer form represented by bearer bonds ("Bearer Bonds") in the denomination of £5,000 each. On or after 25th August, 1984 and subject as hereinafter provided, Registered Stock may be exchanged in nominal amounts of £5,000 for Bearer Bonds and Bearer Bonds may be exchanged for Registered Stock. On issue, an interest coupon (a "Coupon") will be attached to each Bearer Bond in respect of each Interest Payment Date following the date of issue of such Bearer Bond, provided that, in the case of a Bearer Bond issued pursuant to an application received during the period commencing on the day following a Record Date (as hereinafter defined) and expiring on the immediately succeeding Interest Payment Date (both days inclusive), no Coupon will be attached in respect of that immediately succeeding Interest Payment Date.

Applications for Bearer Bonds made before the issue of definitive documents of title must be made before 3.00 p.m. on 24th July, 1984 in accordance with the instructions contained in the allotment letter which will be issued to persons to whom Stock is allotted (see "Delivery" above). On or after the issue of definitive documents of title, applications for exchange must be made on the forms available at the specified offices of each of the Registrar, Principal Paying Agent and Exchange Agent and the Paying Agents referred to below and must be made by the registered holders of Registered Stock or the holders of Bearer Bonds, as the case may be, lodging such forms duly completed at a specified office of the Exchange Agent. Such exchange will only be made on payment of such costs and expenses as may be incurred in connection therewith.

An application to exchange Registered Stock for Bearer Bonds shall have attached thereto the Stock Certificates to which such application relates and an application to exchange Bearer Bonds for Registered Stock shall have attached thereto the Bearer Bonds to which such application relates together with all unmatured Coupons appertaining thereto. Failing presentation of all unmatured Coupons appertaining to any Bearer Bond, no exchange shall be made in respect thereof. In the case of an application received during the period commencing on the day following a Record Date and expiring on the day before the next Interest Payment Date (both days inclusive), a Coupon falling due for payment on such Interest Payment Date shall, for the purposes of this paragraph, be deemed to have matured. If the Stock Certificate attached to an application for the exchange of Registered Stock for Bearer Bonds relates to a greater nominal amount of Stock than that in respect of which application for exchange is made or relates to a nominal amount of Stock which is not an integral multiple of £5,000, the balance of such Stock will remain in registered form and a Stock Certificate will be issued to the holder in respect thereof. All applications for the exchange of Registered Stock for Bearer Bonds and vice versa will be irrevocable. An application shall be deemed to be made on receipt by the Exchange Agent of a duly completed exchange form.

The initial Exchange Agent is Lloyds Bank Plc and its specified offices are at Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA and Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU or such other place or places as the Bank may from time to time agree and notify to holders of Stock in accordance with "Notices" below. The Bank reserves the right to terminate the appointment of the Exchange Agent provided that no such termination shall take place until a new Exchange Agent having a specified office in London has been appointed and notice of such appointment has been given to holders of Stock in accordance with "Notices" below.

Bearer Bonds issued in exchange for Registered Stock and Stock Certificates issued in exchange for Bearer Bonds will be available for collection at a specified office of the Exchange Agent or will be despatched in accordance with the instructions contained in the application, in each case within three business days of receipt of the relevant application duly completed.

Transfer

Registered Stock will be transferable in amounts and multiples of one penny by instrument in writing as if the Stock were a security to which Section 1 of the Stock Transfer Act 1963 and the Stock Exchange (Completion of Bargains) Act 1976 of Great Britain applied. The initial Register and Transfer Office for the Registered Stock will be at the specified office of the Registrar. The initial Registrar is Lloyds Bank Plc and its specified offices are at Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA and Issue Section, 111 Old Broad Street, London EC2N 1AU or such other place or places in Great Britain as the Bank may from time to time agree and notify to holders of Stock in accordance with "Notices" below. The Bank reserves the right to terminate the appointment of the Registrar provided that no such termination shall take effect until a new Registrar having a specified office in Great Britain has been appointed and notice of such appointment has been given to holders of Stock in accordance with "Notices" below.

Bearer Bonds will be transferable by delivery.

Redemption and Purchase

(a) Final Redemption

Unless previously purchased and cancelled, the Stock will be redeemed at par on 24th March, 2009

(b) Purchase Fund

The Bank will irrevocably authorise and direct S. G. Warburg & Co. Ltd. or its successor as purchase agent (the "Purchase Agent") to endeavour to purchase on The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") or otherwise £2,500,000 nominal amount of Stock (with, in the case of Bearer Bonds, all unmatured Coupons appertaining thereto) for the account of the Bank during the 12 months ending on 28th February in each of the three years 1985 to 1987.

Purchases will be made at such prices (exclusive of accrued interest and all costs of purchase) as the Purchase Agent may at its sole discretion consider reasonable, but not exceeding the issue price, and at such times within each such period as the Purchase Agent may at its sole discretion determine. Stock purchased by the Bank may be applied (with, in the case of Bearer Bonds, all unmatured Coupons appertaining thereto) at the nominal amount thereof against the nominal amount of Stock to be purchased pursuant to this sub-paragraph (b) in the period in which the purchase by the Bank is made.

If, in respect of any such period, the required nominal amount of the Stock is not so purchased or applied, the Purchase Agent will be irrevocably authorised and directed to endeavour to purchase the balance of such amount during the six months following. Such purchases will be made before Stock is purchased for the then current period.

All Stock so purchased or applied will be cancelled and will not be reissued. Within 21 days of each Interest Payment Date, the Bank will announce the nominal amount of Stock cancelled pursuant to this sub-paragraph (b) during the six months preceding such Interest Payment Date and the period in respect of which such cancellations were effected.

(c) Purchases

The Bank may at any time purchase Stock on The Stock Exchange (or any other stock exchange on which the Stock is listed for the time being) or by tender (available to all holders of Stock alike) at any price or by private treaty at a price (exclusive of accrued interest and all costs of purchase) not exceeding 115 per cent. of the middle market quotation of the Stock on The Stock Exchange (or, failing such quotation, on such other stock exchange on which the Stock is listed for the time being) at the close of business on the last business day before the date of purchase, but save as aforesaid the Bank may not purchase any Stock. The Bank will be entitled to hold and deal with the Stock, which may or may not be cancelled as the Bank thinks fit.

Payments

In the case of Registered Stock, payments of principal and interest will be made in pounds sterling by warrants, drawn on a Town Clearing Branch of a bank in the City of London, which will be sent at the holders' risk by post to persons who are registered as holders of Stock at the close of business on the relevant Record Date or to their nominated agents and made payable to such holders or as they may direct. In the case of joint holders, the warrant will be sent to the first-named unless instructions to the contrary are given in writing. The "Record Date" shall mean the thirtieth day before an Interest Payment Date but should such thirtieth day fall on a day on which a specified office of the Registrar is not open for business then the Record Date shall mean the first day thereafter on which such specified office is open for business.

In the case of Bearer Bonds, payments of principal will only be made against surrender of the Bearer Bonds and, subject as mentioned below, payments of interest will only be made against surrender of Coupons at the specified office of any Paying Agent by a cheque in pounds sterling drawn on, or by transfer to an account maintained by the payee with, a bank in London, subject in each case to any laws or regulations applicable thereto. However, no Paying Agent in the United Kingdom shall, unless the Bank notifies holders of Stock to the contrary in accordance with "Notices" below, make any payment of interest against presentation of Coupons.

Bearer Bonds should be surrendered for redemption together with all unmatured Coupons, failing which the face value of any missing unmatured Coupon (or, in the case of partial payment in respect of any Bearer Bond being made, the proportion of such face value which the amount of the partial payment bears to the nominal amount of the Bearer Bond) will be deducted from the principal sum due for payment. Any amounts of principal so deducted will be paid in the manner mentioned in the preceding paragraph against surrender of the relevant missing Coupons at any time before the expiry of a period of 10 years after the due date for redemption, whether or not such Coupons would otherwise become void pursuant to "Prescription" below.

If the due date for payment of any amount of principal or interest in respect of any Bearer Bond or Coupon is not a business day, then the holder thereof shall not be entitled to payment of such amount until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph "Payments", the expression "business day" means any day on which banks are open for business in the place where the specified office of the Paying Agent at which the Bearer Bond or Coupon is presented for payment is situated and (in the case of payment by transfer to an account maintained by the payee in London as referred to above) on which dealings in pounds sterling may be carried on both in London and in such place.

The Bank will at all times maintain a Paying Agent in London and in at least one country in Europe other than the United Kingdom. Holders of Stock will be notified in accordance with "Notices" below of the replacement of any Paying Agent, a change in its specified office or the appointment of any additional paying agent. The initial Paying Agents and their specified offices are Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU, Morgan Guaranty Trust Company of New York, 35 Avenue des Arts, B-1040 Brussels, Belgium, and Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, P.O. Box 1108, Luxembourg.

Events of Default

If the Bank shall default in the payment of the principal of, or interest on, or in the performance of any covenant in respect of a purchase fund or a sinking fund for, any bonds or notes (including the Stock) or similar present or future obligations which have been issued, assumed or guaranteed by the Bank, or in the performance of any other obligation arising from "Negative Pledge" above, and such default shall continue for a period of 90 days, then at any time thereafter and during the continuance of such default the holder of any of the Stock may deliver or cause to be delivered to the Bank at its principal office in Metro Manila, Philippines (or such other address as the Bank may notify to holders of Stock in accordance with "Notices" below), written notice that such holder elects to declare the principal of all Stock held by him to be due and payable, and on the thirtieth day after such notice shall be so delivered to the Bank the principal of such Stock shall become due and payable (together with interest accrued to the date of repayment), unless prior to that time all such defaults theretofore existing shall have been cured.

Prescription

The Bearer Bonds will become void unless surrendered for payment within a period of 10 years and the Coupons will, except as mentioned in "Payments" above, become void unless surrendered for payment within a period of five years, in each case from the due date.

In the case of Registered Stock, principal will cease to be payable on the expiry of a period of 10 years and interest will cease to be payable on the expiry of a period of five years, in each case from the due date.

Replacement of Stock Certificates, Bearer Bonds and Coupons

If any Stock Certificate, Bearer Bond or unmatured Coupon is mutilated, defaced, destroyed, stolen or lost it may be replaced at the specified offices of the Principal Paying Agent and the Registrar upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Bank and the Principal Paying Agent and the Registrar may require. Mutilated or defaced Stock Certificates, Bearer Bonds or Coupons must be surrendered before replacements will be issued.

Title to Bearer Bonds and Coupons

The Bank and any Paying Agent may treat the holder of any Bearer Bond or Coupon as the absolute owner thereof (whether or not such Bearer Bond or such Coupon shall be overdue and notwithstanding any notice to the contrary or writing thereon) for the purposes of receiving payment and for all other purposes.

Notices

All notices shall be valid if despatched by post to the holders of Registered Stock at their registered addresses (in the case of joint holders to the address of the first-named) and if published in one leading daily newspaper printed in the English language and with general circulation in London or, if this is not practicable, in a newspaper having general circulation in Europe. It is expected that publication of such notices will normally be made in the Financial Times. Any such notice shall be deemed to have been given on the later of the day following the date of such despatch and the date of the first such publication.

Meetings of Holders of Stock and Modification of Rights

The Instrument will contain provisions for convening meetings of holders of Stock to consider any matter affecting their interests, including the modification by Extraordinary Resolution of the terms and conditions of the Stock or the provisions of the Instrument. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the nominal amount of the Stock for the time being outstanding, or at any adjourned such meeting two or more persons being or representing holders of Stock whatever the nominal amount of the Stock for the time being outstanding so held or represented. An Extraordinary Resolution will require a majority of not less than three quarters of the votes cast thereon and when passed at any meeting of holders of Stock duly convened and held in accordance with the provisions of the Instrument will be binding on all holders of Stock, whether or not they are present at the meeting, and on all holders of Coupons.

Law

The Stock and the provisions of the Instrument will be governed by and construed in accordance with the laws of England. Legal proceedings in connection therewith may be brought in the courts of England.

INFORMATION RELATING TO THE STOCK

Stock Exchange Dealing

The Stock, in both registered and bearer forms, will be eligible to be dealt in on The Stock Exchange in the Gilt-edged market and will normally be traded for settlement and delivery on the dealing day after the date of the transaction. The price of the Stock will be quoted inclusive of accrued interest.

It is expected that dealings in the Stock on The Stock Exchange will begin on Friday, 24th February, 1984 without documents of title and at seller's risk for deferred settlement on Thursday, 1st March, 1984.

Current United Kingdom Taxation and Stamp Duty

Interest on the Stock paid as provided herein is payable without deduction of United Kingdom income tax. In the case of Registered Stock the Registrar will, on the occasion of each interest payment, supply the Inland Revenue with the names and addresses of the holders of the Registered Stock to whom interest is due, the amount of Registered Stock held by them, the names and addresses of any other persons to whom interest is paid on the instructions of such holders and the amount of interest paid to each such person.

The United Kingdom Inland Revenue have confirmed that, notwithstanding that the issue price of the Stock will be below its nominal value, under current law no part of that nominal value paid on redemption of the Registered Stock or the Bearer Bonds in 2009 (or upon the Stock becoming redeemable following an event of default pursuant to the provisions set out under "Events of Default" above) will be taxed as income (except where the recipient is a person holding the Stock as a dealer for United Kingdom tax purposes). They have also confirmed that, under current law, on a disposal of the Stock in the open market by a holder of the Stock (other than a person holding the Stock as a dealer for United Kingdom tax purposes, but including any disposal on a purchase made by the Bank or the Purchase Agent pursuant to the provisions set out under "Redemption and Purchase" above), no part of the disposal proceeds received will be subject to tax as income.

Applicants for the Stock should be aware that, following the publication of various press releases and a consultative document, draft legislation entitled "Deep Discounted Securities" was published by the United Kingdom Inland Revenue in December 1983, with a proposal that this legislation be included in the 1984 Finance Bill. The Inland Revenue have confirmed that, if legislation should be enacted in the form of the draft legislation, the United Kingdom tax position on a redemption or disposal of the Stock will remain as outlined in the preceding paragraph.

Applicants for the Stock who are uncertain as to the current or future United Kingdom tax treatment resulting from the issue of the Stock at a price below its nominal value, or as to the treatment under the revenue laws of other jurisdictions, should consult their professional advisers.

Holders of the Stock who are liable to United Kingdom taxation on capital gains should note that the provision in section 67 of the Capital Gains Tax Act 1979 which exempts from taxation capital gains on Gilt-edged securities (as defined for such purposes) held for more than 12 months does not apply to the Stock.

Under current United Kingdom law, transfers of Stock are free of United Kingdom stamp duty.

Trustee Status

Registered Stock, when listed, will be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Investment by trustees in Bearer Bonds is subject to the provisions of section 7 of the Trustee Act 1925.

ASIAN DEVELOPMENT BANK

The Asian Development Bank (the "Bank"), an international financial organisation, was established in 1966 and operates under the Agreement Establishing The Asian Development Bank (the "Charter") which is binding upon the 45 member countries currently comprising its shareholders.

The purpose of the Bank is to foster economic growth and co-operation in Asia and the Pacific (the "region") and to contribute to the economic development of the developing member countries in the region.

The principal office of the Bank is located in Metro Manila, Philippines, where the Bank has a staff of about 1,465 drawn from 33 countries. Under the Charter, and in accordance with a Headquarters Agreement with the Republic of the Philippines, the Bank's financial transactions are not subject to any Philippine laws relating to taxes, foreign exchange or other financial controls. The Bank has also established a resident office in Bangladesh. The Bank may establish agencies or branch offices elsewhere.

As at 31st December, 1983, the Bank had 45 members, which had subscribed $11,509.9 million of its capital stock, of which $1,657.7 million was paid-in and the remainder was callable. The membership of the Bank reflects the intention of the founders that, while its operations should be limited to the region, it should incorporate the active participation and financial resources of developed nations outside the region. The Bank currently has 31 regional members, including Japan, Australia and New Zealand, providing 58 per cent. of its capital, and 14 non-regional members, comprising the United States, Canada and 12 Western European countries, including the United Kingdom, providing 42 per cent. of its capital. The percentage of voting power in the Bank's affairs held by the respective members is related, but is not directly proportional, to their capital subscriptions. The aggregate voting power of the developed member countries, which include all the non-regional members together with Japan, Australia and New Zealand, represents approximately 59 per cent. of the total. The members and their respective voting power and subscriptions to the Bank's capital stock as at 31st December, 1983 are set out in Appendix VI.

The Bank's primary activity is making loans to finance projects located within the territories of its developing members. Such activity is divided into ordinary operations and special operations. Up to 31st December, 1983, the Bank had approved loans aggregating $9,173.7 million in its ordinary operations. Such operations are financed from the Bank's ordinary capital resources, which consist primarily of its subscribed capital stock, the proceeds of borrowings and funds derived from ordinary operations. Up to 31st December, 1983, the largest borrowers from the Bank in its ordinary operations, accounting for 96 per cent. in aggregate amount of all approved ordinary operations loans, were Indonesia (24 per cent.), the Republic of Korea (19 per cent.), the Philippines (19 per cent.), Thailand (14 per cent.), Malaysia (10 per cent.), Pakistan (8 per cent.) and Singapore (2 per cent.).

Special operations loans are made primarily to those developing member countries having lower per capita gross national products ("GNPs") and debt repayment capacities than other developing members. Up to 31st December, 1983, the Bank had approved loans aggregating $4,213.8 million in its special operations. Resources used for special operations loans, most of which are contributed by members, are segregated from ordinary capital resources.

The Charter requires separate financial statements for ordinary operations and special operations and provides that the ordinary capital resources shall under no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which special operations resources were originally used or committed.

In addition to its loan operations, the Bank extends technical assistance in the form of grants or loans for project preparation and evaluation, development planning and other purposes.

USE OF PROCEEDS

The net proceeds to the Bank from the issue of the Stock will be included in the ordinary capital resources of the Bank and used in its ordinary operations.

MEMBERSHIP AND SUBSCRIPTION OF THE UNITED KINGDOM

The United Kingdom has been a member of the Bank since its establishment in 1966. As at 31st December, 1983, the United Kingdom had subscribed $378.3 million of the Bank's capital stock, being 3.3 per cent. of the Bank's capital stock, and was entitled to cast 3.1 per cent. of the total votes. As at 31st December, 1983, the United Kingdom was, by reference to capital stock subscribed, the fourth largest non-regional member of the Bank.

CAPITALISATION

The following table sets out the outstanding borrowings, capital stock and reserves and accumulated net income relating to the Bank's ordinary operations as at 31st December, 1983. These figures are unaudited:—

	(millions of dollars)
Borrowings (Notes 1, 2 and 3)	
Payable in Japanese yen	1,219.6
Payable in Deutsche Marks	745.7
Payable in Swiss francs	655.0
Payable in U.S. dollars	555.6
Payable in Netherlands guilders	167.2
Payable in other currencies	85.5
Total Borrowings	3,428.6
Capital Stock	
Subscribed	11,509.9
Less – callable capital subscribed	9,852.2
Paid-in capital subscribed	1,657.7
Less – other adjustments (Note 4)	212.2
	1,445.5
Reserves and Accumulated Net Income (Note 5)	1,056.4
Total Capital Stock, Reserves and Accumulated Net Income	2,501.9
Total Capitalisation (Note 1)	5,930.5

Notes:—

(1) Includes unamortised discounts and premiums of $11.0 million on interest-bearing obligations, and current maturities of $121.2 million.

(2) For additional information regarding borrowings and the Bank's practice of making loans in borrowed currencies, see "Borrowing and Liquidity Policies and Investment Practices" below.

(3) See Note 3 to Appendix V.

(4) Comprises $49.8 million transferred to Special Funds for special operations and $162.4 million of paid-in capital subscribed but not due.

(5) After deducting accumulated translation adjustments of $76.9 million and adding advance payments on subscriptions of $0.3 million.

CAPITAL STOCK

Under the Charter, the capital stock of the Bank and the subscriptions of members are expressed in terms of the United States dollar of the weight and fineness in effect on 31st January, 1966 (the "1966 dollar"). Until 31st March, 1978, the 1966 dollar was translated by the Bank into current United States dollars on the basis of the par value of the United States dollar notified to the International Monetary Fund (the "IMF"). On that basis, the 1966 dollar equalled $1.20635 as at 31st March, 1978. On 1st April, 1978, amendments to the IMF's Articles of Agreement were brought into force as a result of which currencies no longer have par values, gold was abolished as a common denominator of the monetary system and all calculations for purposes of the IMF's Articles of Agreement are made on the basis of the Special Drawing Right (the "SDR").

The Bank is considering the effect of the amendments to the IMF's Articles of Agreement on the denomination and valuation of the Bank's capital stock and the rights and obligations of members with respect thereto. Pending a decision on these matters, the Bank has been preparing its financial statements by valuing its share capital on the basis of a substitution of 1 SDR for each 1966 dollar, expressing the amount of its capital stock and subscriptions in current dollars on the basis of the SDR/dollar conversion rate published by the IMF from time to time. As at 31st December, 1983, such value of 1 SDR was $1.04695.

The Charter contains provisions under which a member is required to pay to the Bank additional amounts of its currency to maintain the value of the Bank's holdings in such currency (except those derived from borrowings and from contributions to Special Funds) and the Bank is required to pay to the member amounts of its currency necessary to adjust such value, in each case up to the amount of the member's paid-in capital. Pending a decision on the denomination and valuation of the Bank's capital, the Bank has suspended the implementation of these provisions.

As at 31st December, 1983, the authorised capital stock of the Bank was equivalent to $15,461.4 million ($17,815.5 million if each share were valued at $12,063.50), of which an amount of $11,509.9 million ($13,262.4 million) had been subscribed by members. Approximately 14.4 per cent. of such subscriptions represented paid-in capital and approximately 85.6 per cent. callable capital.

PAID-IN CAPITAL

As at 31st December, 1983, 81.6 per cent. of the total paid-in capital of the Bank was paid or payable in gold or convertible currencies, and 18.4 per cent. in the currencies of members with non-convertible currencies. In determining whether a currency is convertible for these purposes, the practice of the Bank is to deem as convertible the currencies of those member countries which act in respect to their currencies in a manner consistent with certain requirements of the IMF's Articles of Agreement. For those members whose currencies were determined to be convertible as at 31st December, 1983, see "Borrowing and Liquidity Policies and Investment Practices — Policy on Total Borrowing".

In accordance with the Charter, the Bank has accepted non-negotiable, non-interest-bearing demand obligations in lieu of a part of the amounts required to be paid in national currencies where such amounts have not been required by the Bank for the conduct of its operations. The amounts of such obligations held by the Bank as at 31st December, 1983 were equivalent to $353.5 million.

The Bank's paid-in capital may be freely used in its ordinary operations, except that developing member countries and New Zealand have the right to restrict the use of a portion (aggregating $3.7 million at 31st December, 1983) of their paid-in capital to making payments for goods and services produced and (except for New Zealand) intended for use in their respective territories.

The Charter authorises the Board of Governors by a vote of two thirds of the total number of Governors representing at least three quarters of the total voting power of the members to set aside to Special Funds up to 10 per cent. of the Bank's unimpaired capital paid in by members. As at 31st December, 1983, a total of $49.8 million (3.4 per cent. of unimpaired paid-in capital) had been set aside and transferred to Special Funds.

CALLABLE CAPITAL

The callable portion of subscriptions to the Bank's capital stock is subject to call only when required to meet the obligations of the Bank on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. Callable capital consequently may not be called to make loans. In the event of a call, payment may be made at the option of the member in gold, in convertible currency or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

Calls on the callable portion of subscriptions are required to be uniform in percentage terms on all shares of capital stock but obligations of the members to make payment upon such calls are independent of each other. Failure of one or more members to make payments on any such calls would not excuse any other member from its obligation to make payment and successive calls could be made on non-defaulting members if necessary to meet the Bank's obligations. However, no member could be required on any such call to pay more than the unpaid balance of the callable portion of its subscription to the Bank's capital stock. No calls have been made on the callable portion of the subscriptions.

INCREASES IN CAPITAL STOCK

Under the Charter, the capital stock of the Bank may be increased by the Board of Governors by a vote of two thirds of the total number of Governors representing not less than three quarters of the total voting power of the members. In the event of a general increase in the Bank's capital, each member has a right to subscribe to the new shares in proportion to its existing shareholding but no member is obliged to subscribe to any portion of such increase.

General capital increases occurred in 1971 and 1976. On 25th April, 1983, the Board of Governors approved the third general increase in the Bank's authorised capital stock of 754,750 shares (from 722,057 shares to 1,476,807 shares) which became effective on that date. Each member is entitled to subscribe to 105 per cent. of the number of shares subscribed by it on the date of the resolution, with 5 per cent. of the subscription being paid-in shares and the remainder being callable shares. The resolution provides for instruments of subscription to be submitted by 31st May, 1984 or by such later date as the Board of Directors may determine. Pending a decision on the valuation of the Bank's capital stock, payment for the additional subscribed shares will be made, at the option of the subscribing member, on the basis of (i) $12,063.50 per share, or (ii) SDR 10,000 per share, translated into currencies at exchange rates prevailing either on the dates on which payments are due or as at 30th September, 1982. The dollar equivalent value of subscriptions relating to the third general capital increase cannot be determined at this time.

The Charter also provides that, at the request of a member, the Board of Governors may authorise an increase in the subscription of such member on an individual basis; however, in such cases no increase can be authorised which would have the effect of reducing the percentage of capital stock held by regional members below 60 per cent. of the total subscribed capital stock.

SUMMARY OF INCOME AND EXPENSES — ORDINARY CAPITAL RESOURCES

The following summary of income and expenses relating to the ordinary capital resources of the Bank for each of the five years in the period ended 31st December, 1982 has been derived from financial statements examined by Deloitte Haskins & Sells, independent auditors, whose opinion thereon is included elsewhere in this Prospectus. The summary of income and expenses for the year ended 31st December, 1983 is unaudited; in the opinion of the management of the Bank such unaudited summary fairly presents the results for the year. The summary should be read in conjunction with the financial statements and related notes appearing in Appendices I to VII.

	Year ended 31st December.					
	1978	1979	1980	1981	1982	1983 (unaudited)
	(thousands of dollars)					
Gross Income	214,563	260,323	309,036	347,055	413,672	477,983
Expenses						
Interest and other financial expenses	111,629	126,258	142,408	157,676	202,731	262,934
Administrative expenses (Note 1)	14,524	15,423	19,592	27,910	35,086	34,458
Services to member countries (Note 2)	1,087	495	1,205	502	1,017	1,035
Other expenses	—	240	—	—	—	—
Gross Expenses	127,240	142,416	163,205	186,088	238,834	298,427
Net Income	87,323	117,907	145,831	160,967	174,838	179,556

Notes:—

(1) Net of administration charge to Special Fund operations. Such administration charges for each of the six years ended 31st December, 1983 were (in thousands) $10,308, $15,423, $20,268, $25,118, $27,410 and $35,690 respectively.

(2) Represents charges for technical assistance. (See "Operations of the Bank — Technical Assistance" below.)

OPERATIONS OF THE BANK

LENDING POLICIES

The Bank is authorised under the Charter to make, participate in, or guarantee loans to its developing member countries or their governments, to any of their agencies or political subdivisions, and to public or private enterprises operating within such countries, as well as to international or regional entities concerned with economic development in the region. Such loans are made only for projects of high developmental priority. The Bank provides financing to its borrowers to cover foreign exchange expenditures incurred in projects and also finances local expenditures to a limited extent in certain cases. Ordinary operations loans are denominated in United States dollars and are disbursed in various currencies. Since 1st January, 1983, the amounts of special operations loans have been denominated in SDR for the purpose of commitment, but are also disbursed in various currencies. The Bank requires its borrowers to bear exchange risks attributable to fluctuations in the value of the currencies which it has disbursed.

In evaluating the projects that it may finance, the Bank considers such factors as economic, technical and financial feasibility; effect on the general development activity of the country concerned; contribution to the removal of impediments to economic development; capacity of the borrowing country to service additional external debt; effect on domestic savings; balance of payments effects; impact of new technologies on productivity; and expansion of employment opportunities. In response to regional needs and the changing world situation, the Bank has increasingly emphasised loans for expanded food production, for the development of indigenous energy resources and for projects with direct income distribution and social benefits.

In considering an application for a loan, the Bank pays due regard to the ability of the borrower to obtain financing elsewhere on terms and conditions that the Bank considers reasonable. In the case of loans to borrowers other than member countries or their governments, the Bank may require that the member countries or their governments guarantee the loan. All currently outstanding loans to borrowers other than member countries or their governments are so guaranteed, with the exception of two loans to a member's central bank.

Except in special circumstances, the Bank requires that the proceeds of each loan be used by the borrower only for procurement of goods and services produced in member countries and required for the project being financed. The Bank supervises the disbursement of its loans to ensure that the proceeds are applied only against project expenditures as incurred. It generally insists that borrowers seek competitive bids from potential suppliers, that engineering plans and specifications be drawn up independently of the suppliers or manufacturers and, if appropriate, that independent consultants be retained by borrowers.

The Bank is empowered by the Charter, under certain conditions, to guarantee, as primary or secondary obligor, loans for economic development projects in which the Bank also participates as a lender. To date, the Bank has not extended any such guarantee.

The Bank is also empowered, under certain conditions, to make equity investments. As at 31st December, 1983, the Bank had approved two such equity investments aggregating $3.0 million.

ORDINARY OPERATIONS

Ordinary Operations Loans

Under the Charter, the total amount of loan commitments outstanding plus equity investments and guarantees made by the Bank in its ordinary operations may not at any time exceed the total amount of its unimpaired subscribed capital, reserves and surplus included in its ordinary capital resources, exclusive of a Special Reserve for meeting liabilities of the Bank on its borrowings and guarantees and other reserves not available for ordinary operations.

Between its establishment and 31st December, 1983, the Bank had approved 375 loans from its ordinary capital resources for projects in 16 developing member countries, in an aggregate principal amount of approximately $9,173.7 million, including technical assistance loans refinanced in subsequent loans, of which $4,157.6 million had been disbursed.

A breakdown by sector of the Bank's total ordinary operations loans approved and effective as at 31st December, 1983 is as follows:—

Sector	Total Loans Approved to 31st December, 1983		Total Effective Loans as at 31st December, 1983	
	Amount	Per cent.	Amount(2)	Per cent.
	(millions of dollars)		(millions of dollars)	
Energy	2,537.3	27.7	1,949.6	29.0
Agriculture and agro-industry	1,883.3	20.5	1,443.2	21.5
Transport and communications	1,439.8	15.7	1,211.9	18.0
Water supply	925.5	10.1	689.6	10.3
Industry and non-fuel minerals	357.5	3.9	163.6	2.4
Urban development	286.1	3.1	234.8	3.5
Education	325.8	3.6	194.2	2.9
Health and population	76.3	0.8	69.4	1.0
Development banks (Note 1)	1,342.1	14.6	762.4	11.4
Total	9,173.7	100.0	6,718.7	100.0

Notes:—

(1) *Loans to development banks in member countries which are re-loaned to finance small and medium-scale industries in various sectors.*

(2) *After deducting adjustments aggregating $231.2 million to reflect, in United States dollar equivalents, loans disbursed in currencies other than United States dollars and still outstanding in other currencies. Such adjustments arise from changes in exchange rates between the date of disbursement of these disbursed and outstanding currencies and 31st December, 1983. These loans are repayable to the Bank in the same currencies in which they are disbursed.*

The Bank's loans cover only portions of the total costs of the projects it finances, including in certain cases interest and other charges incurred during construction. Projects directly financed by the Bank from its ordinary capital resources with loans approved up to 31st December, 1983, were estimated, at the time of their respective approvals, to have a total aggregate cost of approximately $18,169.6 million, of which approximately 40 per cent. was to be financed by the Bank. In addition, the Bank has made loans through national development banks for projects for which substantial local resources must also be made available.

The maturities of the loans extended by the Bank from its ordinary capital resources range between 10 and 30 years, including grace periods with respect to the repayment of principal ranging between two and seven years. The average life of loans committed at 31st December, 1983 was 11.22 years. As at 31st December, 1983, the maturity structure of the Bank's effective loans was as follows:—

Maturing	Total Effective Loans as at 31st December, 1983
	(millions of dollars)
1984/1988	1,283.6
1989/1993	1,789.7
1994/1998	1,920.7
1999/2003	1,420.7
2004/2008	513.3
2009/2013	41.2
	6,969.2
Less—adjustments (Note 1)	250.5
Total	6,718.7

Note:—

(1) *Represents translation adjustments of $231.2 million and cancellations and prepayments of $19.3 million which have not been allocated to specific maturities.*

Loan Loss Experience

The Bank has not suffered any loan losses in its ordinary operations to date and follows a policy of not taking part in debt rescheduling agreements. Occasional delays have occurred in loan service payments but these have not been material to the Bank's operations.

Loan Charges, Special Reserve and Return on Average Earning Assets

In its ordinary operations, the Bank's policy is periodically to set interest rates at levels which broadly reflect the cost of its borrowings, administrative expenses and its long-term income policies. Interest is charged only from the time of disbursement and remains at a fixed rate throughout the life of each loan. The Bank's ordinary operations lending rate has varied from 6 per cent. to 11 per cent. The rate is reviewed at least annually by the Board of Directors. On 9th June, 1983, the Board of Directors approved a new lending rate of 10½ per cent. applicable to all loans approved from 1st July, 1983.

The Bank charges a commission on direct loans made or participated in as part of its ordinary operations. The commission is charged on the amount of each loan outstanding and must be at a rate of not less than 1 per cent. per annum, unless the Bank decides to reduce this rate by a vote of two thirds of the members representing not less than three quarters of the total voting power of the members. Currently, the lending rate charged on loans includes a commission at the rate of 1 per cent. per annum. The commission is credited to a Special Reserve for meeting liabilities of the Bank on its borrowings. As at 31st December, 1983, the Special Reserve amounted to $151.3 million.

In addition to interest and commission, a commitment charge, currently 0.75 per cent. per annum, is levied on the undisbursed portion of loans.

For the years 1980 to 1983, the average interest rates on the Bank's loans, the return on average earning assets and the average cost of the Bank's borrowings and other funds were as follows:—

	Year ended 31st December,			
	1980	1981	1982	1983
	(per cent.)			
Average interest rate on loans approved in period (Note 1)	8.79	9.99	11.00	10.56
Average interest rate on disbursed and outstanding loans—end of period (Note 1)	8.08	8.08	8.12	8.23
Return on average earning assets (Note 2)	9.26	9.65	10.06	9.58
Average cost of total borrowings outstanding and other funds available during period (Note 3)	4.18	4.28	4.82	5.19

Notes:—

(1) *Includes commission of 1 per cent. per annum, but does not include commitment charge of 0.75 per cent. per annum applicable to undisbursed loans. Weighted by amount only.*

(2) *Consists of interest and net realized gains or losses on investments, interest on disbursed and outstanding loans, and commitment charges on undisbursed loans as a percentage of average investments and disbursed and outstanding loans (computed on the basis of month-end amounts).*

(3) *Consists of interest expense, including net amortisation of discounts, premiums and issuance and other expenses, as a percentage of average total ordinary operations funds available to the Bank (computed on the basis of month-end amounts). Total funds available to the Bank include borrowed funds, paid-in capital not transferred to Special Funds, Reserves and accumulated net income.*

SPECIAL OPERATIONS

The Bank is authorised under the Charter to administer Special Funds, the resources of which may be used in its special operations for granting technical assistance and making loans with longer maturities, longer grace periods and lower interest rates than those established for ordinary operations. Projects financed from Special Funds are selected, appraised and administered in the same manner as projects financed from ordinary resources.

The resources of such Special Funds include voluntary contributions made by members, income on Special Funds loans, income earned by investment of undisbursed Special Funds resources and amounts of unimpaired paid-in capital set aside to Special Funds by the Board of Governors. Such amounts set aside are limited by the Charter to 10 per cent. of the unimpaired paid-in capital. Special Funds currently consist of the Asian Development Fund and the Technical Assistance Special Fund.

Under the Charter, Special Funds resources must at all times be held and used entirely separately from the ordinary capital resources of the Bank. The Charter provides that the financial statements of the Bank shall show the ordinary operations and special operations separately and that the ordinary capital resources of the Bank may in no circumstances be charged with, or used to discharge, losses or liabilities arising out of special operations or other activities for which Special Funds resources were originally used or committed. Expenses of the Bank directly pertaining to special operations are charged to Special Funds resources, and administrative expenditures of the Bank are allocated between ordinary capital resources and Special Funds resources based on a formula which takes into consideration all administrative expenditures and the number of loans approved.

Asian Development Fund

The Asian Development Fund (the "ADF") is the Special Fund for financing special operations loans on concessional terms. It is the current policy of the Bank to extend ADF loans only to those developing member countries having a low per capita GNP and limited external debt repayment capacity in comparison with other developing member countries. ADF loans bear only a service charge of 1 per cent. per annum on outstanding amounts and require repayment over a 40-year period (including 10 years of grace with respect to principal repayments) with the exception of certain loans extended to enhance existing production facilities in high priority sectors which are repayable over a 25-year period (including eight years of grace with respect to principal repayments).

As at 31st December, 1983, the aggregate resources of the ADF committed to ADF loans and available for loan commitments amounted to $4,207.3 million, consisting of $4,000.1 million contributed by member countries, $49.8 million set aside by the Board of Governors from ordinary resources, $152.3 million of accumulated income (net of $19.3 million of accumulated translation adjustments) and $5.1 million of other resources.

TECHNICAL ASSISTANCE

The Bank is authorised to meet requests from member countries for technical assistance in such fields as the preparation and evaluation of specific development projects, the preparation and execution of development plans and the creation of new institutions and the strengthening of existing institutions serving agriculture, industry and public administration. Recipients of technical assistance may be governments or any of the other entities authorised to receive Bank loans. The technical assistance extended by the Bank may be either on a grant or a loan basis.

The Charter limits the funds which may be drawn upon to provide technical assistance on a grant basis to the amount of the Bank's net income from ordinary operations plus any Special Funds resources (including net income from special operations) available for such purposes.

As at 31st December, 1983, the Bank had received from its members a total of $63.1 million in contributions and commitments for contributions to its Technical Assistance Special Fund. As at that date, technical assistance grants in a total amount of $44.3 million had been financed from the Technical Assistance Special Fund while the cumulative amount of such grants financed from the Bank's net income was $14.1 million. Total technical assistance approved by the Bank until that date amounted to approximately $147.3 million, including amounts administered by the Bank on behalf of other entities. Such assistance has been approved for 26 of the Bank's developing member countries and for certain regional activities.

RELATIONS WITH OTHER DEVELOPMENT ORGANISATIONS AND CO-FINANCING

The Bank maintains close relations with other international development organisations and acts as administrator for, or has made joint financing arrangements with, several multilateral and bilateral development agencies in connection with a number of projects in the region. The Bank has also been joined by commercial banks in co-financing several projects in the region, and expects to promote increased commercial co-financing.

BORROWING AND LIQUIDITY POLICIES AND INVESTMENT PRACTICES

The Charter authorises the Bank to supplement its ordinary capital resources by raising funds through borrowings in member countries or elsewhere. Under the Charter, the Bank must obtain the approval of the country in which the Bank's obligations are to be sold, as well as of any member country in whose currency such obligations are to be denominated, and the Bank must also obtain the approval of such countries that the proceeds of such borrowings may be exchanged for the currency of any member without restriction. The Charter also requires the Bank, before determining to sell its obligations in a particular country, to consider the amount of previous borrowings in that country and the amount of previous borrowings and the availability of funds in other countries, adhering to the general principle that its borrowings should be diversified as to country of borrowing. Proceeds of borrowings are loaned or invested in the same currencies in which they are borrowed so that the Bank does not maintain a currency position whereby it could realise a gain or a loss on exchange.

The Bank has previously borrowed in the capital markets of Austria, Belgium, the Federal Republic of Germany, Italy, Japan, Kuwait, Luxembourg, the Netherlands, Saudi Arabia, Switzerland, the United Arab Emirates and the United States as well as in international capital markets and from certain governments and central banks of member countries. The Bank expects to continue to raise funds for its ordinary operations through the issue and sale of debt obligations in national and international markets, as conditions permit.

The average life of the Bank's outstanding borrowings at the end of each of the four years ended 31st December, 1983 was 5.78 years, 7.03 years, 7.41 years and 7.72 years respectively. As at 31st December, 1983, the maturity structure of the Bank's outstanding borrowings was as follows:—

Maturing	Capital market borrowings	Borrowings from official sources(1)	Total
	(millions of dollars)		
1984/1988	582.5	161.2	743.7
1989/1993	2,049.9	103.7	2,153.6
1994/1998	757.6	—	757.6
1999/2003	51.9	—	51.9
Total	3,441.9	264.9	3,706.8(2)

Notes:—

(1) *Official sources are governments, central banks and other governmental institutions.*

(2) *Includes $278.1 million of unamortised original discount at issuance for the 10-Year Zero Coupon Notes of 1982.*

POLICY ON TOTAL BORROWING

It is the Bank's present policy not to enter into any new borrowing or guarantee chargeable to its ordinary capital resources if such borrowing or guarantee, when added to the outstanding borrowings and guarantees, would exceed the amount of the callable capital stock subscribed by the members whose currencies are convertible. These members, whose aggregate subscription to the callable capital was $6,640.6 million as at 31st December, 1983, currently include: Australia, Austria, Belgium, Canada, Cook Islands, Denmark, Fiji, Finland, France, the Federal Republic of Germany, Hong Kong, Italy, Japan, Kiribati, Malaysia, the Netherlands, New Zealand, Norway, Papua New Guinea, Singapore, Solomon Islands, Sweden, Switzerland, the United Kingdom and the United States. As at 31st December, 1983, the aggregate of outstanding borrowings of the Bank was $3,428.6 million, representing 52 per cent. of such callable capital.

LIQUIDITY POLICY AND INVESTMENT PRACTICES

The Bank's current liquidity policy calls for the planned liquidity of the Bank at the end of each year to be equivalent to 40 per cent. of the undisbursed loan balances at the end of that year. The Bank's cash (unrestricted), investments and Special Reserve Fund assets from its ordinary capital resources amounted to about $2,303 million at 31st December, 1983.

The Bank's investment activities are restricted in several ways. It is the Bank's policy to make investments in the same currencies in which funds are received. The Board of Directors of the Bank has prescribed investment guidelines for the Bank which, subject to specific restrictions, limit the Bank's investments to (i) obligations issued or guaranteed by the governments of member countries or by governmental agencies thereof, (ii) time deposits and other unconditional obligations of banks and governmental monetary agencies in member countries, and (iii) obligations issued by specified multilateral development banks. Under the current investment guidelines, the Bank's investments are limited to maximum maturities of five years and three months from the date of purchase, with the exception that up to 20 per cent. of such investments may be made for maturities of up to 10 years from the date of purchase.

Within these restrictions, the Bank maintains investment practices designed to generate a favourable return while maintaining emphasis on security and liquidity. Returns on investments are subject to changes in market conditions.

FINANCIAL YEAR, ALLOCATION OF NET INCOME AND RESERVES

Financial Year

The financial year of the Bank is the calendar year.

Allocation of Net Income

The Board of Governors determines annually what part of the Bank's net income, after making provision for reserves, shall be allocated to surplus and what part, if any, shall be distributed. The net income after appropriation of commissions to Special Reserve for the year ended 31st December, 1982 of $151.4 million was allocated in full to the Ordinary Reserve of the Bank.

The net income for the year ended 31st December, 1983 is expected to be allocated in full to the Ordinary Reserve of the Bank and is so recorded in the figure for the Ordinary Reserve as at 31st December, 1983 in the table below. Similar allocations have previously been made in respect of net income for preceding years. If at any time net income is distributed, such distribution shall be made in proportion to the number of shares held by each member. To date, no dividends have been distributed to the member countries.

Reserves

The Bank's reserves have developed as follows:—

	Year ended 31st December,					
	1978	1979	1980	1981	1982	1983 (unaudited)
	(millions of dollars)					
Ordinary Reserve (Note 1)	254.7	351.5	487.3	651.7	817.1	981.7
Special Reserve	42.5	59.3	78.6	99.9	123.3	151.3
Total Reserves	297.2	410.8	565.9	751.6	940.4	1,133.0

Note:—

(1) *Including net income after appropriation of commissions to Special Reserve of corresponding period.*

ADMINISTRATION

The Charter provides that the Bank shall have a Board of Governors, a Board of Directors, a President, one or more Vice-Presidents and such other officers and staff as may be considered necessary.

All powers of the Bank are vested in the Board of Governors which consists of one Governor and one Alternate Governor appointed by each member country. Each Governor or in his absence, his Alternate, exercises the voting power to which the member country is entitled. The Board of Governors holds an annual meeting and such other meetings as may be provided for by the Board of Governors or called by the Board of Directors.

The responsibility for the direction of the general operations of the Bank rests with the Board of Directors, the members of which serve full time at the Bank's principal office. The Board of Directors has 12 members of whom eight are elected by the Governors representing regional members and four are elected by the Governors representing non-regional members. The Board of Governors has delegated to the Board of Directors all its powers except those where delegation is expressly forbidden by the Charter. Each Director is entitled to cast the number of votes that counted towards his election, which votes need not be cast as a unit. Directors hold office for a term of two years and may be re-elected. Each Director appoints an Alternate Director to act for him in his absence.

Matters before the Board of Governors or the Board of Directors are decided by a majority of the total voting power of the members represented at the meeting, except in certain cases provided in the Charter in which a higher percentage is required.

The President, who must be a national of a regional member country, is elected by the Board of Governors. His term of office is five years, and he may be re-elected. The President is the Chairman of the Board of Directors but has no vote except a deciding vote in the case of an equal division. The President, while holding office, may not be a Governor or a Director or an Alternate for either. The President is the legal representative of the Bank. Under the direction of the Board of Directors, he conducts the current business of the Bank and is its chief of staff. He is responsible for the organisation, appointment and dismissal of the officers and staff in accordance with regulations adopted by the Board of Directors.

The Vice-Presidents are appointed by the Board of Directors on the recommendation of the President. Each Vice-President holds office for such term, exercises such authority, and performs such functions in the administration of the Bank as may be determined by the Board of Directors. In the absence or incapacity of the President, the ranking Vice-President exercises the authority and performs the functions of the President.

BOARD OF DIRECTORS

The following is a list as at 1st February, 1984 of the members of the Board of Directors of the Bank, their Alternates and the member countries which they represent:—

Directors	Alternates	Members Represented (1)
Paul Koehling (Federal Republic of Germany)	John Machin (United Kingdom)	Austria, Federal Republic of Germany, United Kingdom
John A. Bohn, Jr. (United States)	Donald R. Sherk (United States)	United States
Hoon-Mok Chung (Korea)	John Natera (Papua New Guinea)	Republic of China, Republic of Korea, Papua New Guinea, Vanuatu
N. W. Davey (Australia)	Kai Detto (Australia)	Australia, Hong Kong, Kiribati, Solomon Islands
Sofjan Djajawinata (Indonesia)	R. C. W. Hamilton (New Zealand)	Cook Islands, Fiji, Indonesia, New Zealand, Tonga, Western Samoa
Alan F. Gill (Canada)	Robert P. J. de Koning (Netherlands)	Canada, Denmark, Finland, Netherlands, Norway, Sweden
Le Duc Van (Viet Nam)	Ronnie Weerakoon (Sri Lanka)	Democratic Republic of Afghanistan, Lao People's Democratic Republic, Maldives, Democratic Socialist Republic of Sri Lanka, Socialist Republic of Viet Nam
Tunku Abdul Malek (Malaysia)	Kawee Keereepart (Thailand)	Burma, Malaysia, Nepal, Singapore, Thailand
A. Melchor, Jr. (Philippines)	N. M. Qureshi (Pakistan)	Pakistan, Philippines
Minoru Ohashi (Japan)	Takashi Taniguchi (Japan)	Japan
G. Ramachandran (India)	K. F. Rahman (Bangladesh)	Bangladesh, Bhutan, India
Thierry Rosset (France)	Gino Alzetta (Belgium)	Belgium, France, Italy, Switzerland

Note:—

(1) *Cambodia is not at present represented by any member of the Board of Directors.*

PRINCIPAL OFFICERS

The principal officers of the Bank are as follows:—

Masao Fujioka	*President*
A. T. Bambawale	*Vice-President*
S. Stanley Katz	*Vice-President*
Günther Schulz	*Vice-President*
Wilfred A. Vawdrey	*Secretary*
Chun Pyo Jhong	*General Counsel*
Ernest A. Oestreicher	*Director, Country Department*
Akira Tsusaka	*Director, Development Policy Office*
B. M. Soeksmono	*Director, Agriculture Department*
Kunio Takase	*Director, Irrigation and Rural Development Department*
Wolf D. Kluber	*Director, Infrastructure Department*
Robert N. Bakley	*Director, Industry and Development Banks Department*
Hiroo Fukui	*Director, Budget, Personnel and Management Systems Department*
Edgar J. Roberts, Jr.	*Treasurer*
Seiji Naya	*Chief Economist*
Ronald G. Rose	*Controller*

THE CHARTER

The Charter is the Bank's governing constitution. It establishes the status, immunities, exemptions and privileges of the Bank; describes its purposes, capital structure and organisation; authorises the operations in which the Bank may engage; and prescribes limitations on the carrying on of those operations. The Charter also contains, among other things, provisions with respect to the admission of additional members, increases of the authorised capital stock, the terms and conditions under which the Bank may make or guarantee loans, the use of currencies held by it, the withdrawal and suspension of members, and the suspension and termination of the Bank's operations.

Under the Charter, membership of the Bank is open to (i) members and associate members of the United Nations Economic Commission for Asia and the Far East (now called the United Nations Economic and Social Commission for Asia and the Pacific); and (ii) other regional countries and non-regional developed countries which are members of the United Nations or of any of its specialised agencies. Within the foregoing limitations, new members may be admitted upon the vote of two thirds of the total number of Governors representing not less than three quarters of the total voting power of the members. The Charter provides that no new membership subscription shall be authorised which would have the effect of reducing the percentage of capital stock held by regional members below 60 per cent. of the total subscribed capital stock. Although any member may withdraw from the Bank by delivering written notice, any such member remains liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of such notice. No member has withdrawn from the Bank since its establishment.

The Charter may be amended only by resolution of the Board of Governors approved by a two thirds majority of the total number of Governors representing not less than three quarters of the total voting power of the members. The unanimous agreement of the Board of Governors is required for the approval of any amendments modifying the right to withdraw from the Bank, the pre-emptive rights to purchase capital stock or the limitation on liability of members. The Charter provides that any question of interpretation of its provisions arising between any member and the Bank or between the Bank's members shall be submitted to the Board of Directors for decision. Such decision may then be submitted to the Board of Governors, whose decision shall be final.

LEGAL STATUS

The Charter contains provisions which accord to the Bank legal status and certain immunities and privileges in the territories of each of its members. The following is a summary of the more important of these provisions:—

The Bank has full juridical personality with capacity to contract, to acquire and dispose of immovable and movable property and to institute legal proceedings. It is immune from every form of legal process, except in cases arising out of or in connection with the exercise of its powers to borrow money, to guarantee obligations, or to buy and sell or underwrite the sale of securities, in which cases actions may be brought against the Bank in a court of competent jurisdiction in the territory of a country in which it has its principal or a branch office, has appointed an agent for accepting service or notice of process, or has issued or guaranteed securities. No action against the Bank may be brought by its members or persons acting for or deriving claims from its members.

The Governors, Alternate Governors, Directors, Alternate Directors, officers and employees of the Bank, including experts performing missions for it, are immune from legal process for acts performed by them in their official capacities, except when the Bank waives such immunity.

The property and assets of the Bank are immune from all forms of seizure, attachment or execution before the delivery of final judgment against it. Such property and assets are also immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action. The archives of the Bank are inviolable.

The Bank and its assets, property, income and its operations and transactions are exempt from all taxation and from all customs duties. The Bank is also exempt from any obligation for the payment, withholding or collection of any tax or duty.

No tax of any kind shall be levied on any obligation or security issued by the Bank, including any dividend or interest thereon, by whomsoever held:—

(a) which discriminates against such obligation or security solely because it is issued by the Bank; or

(b) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

SCHEDULE OF FINANCIAL STATEMENTS — ORDINARY CAPITAL RESOURCES

Statement of Income and Expenses for the five years ended 31st December, 1982 and (unaudited) the year ended 31st December, 1983.

Statement of Changes in Financial Position for the five years ended 31st December, 1982 and (unaudited) the year ended 31st December, 1983.

Balance Sheet as at 31st December, 1982 and (unaudited) 31st December, 1983.

Summary Statement of Loans as at 31st December, 1982 and (unaudited) 31st December, 1983.

Summary Statement of Borrowings as at 31st December, 1982 and (unaudited) 31st December, 1983.

Statement of Subscriptions to Capital Stock, Subscription Entitlements and Voting Power (unaudited) as at 31st December, 1983.

Notes to Financial Statements.

OPINION OF INDEPENDENT AUDITORS

Asian Development Bank:—

We have examined the financial statements of Asian Development Bank — Ordinary Capital Resources which are listed hereunder:—

	Appendix
Statement of Income and Expenses for the five years ended 31st December, 1982	I
Statement of Changes in Financial Position for the five years ended 31st December, 1982	II
Balance Sheet, 31st December, 1982	III
Summary Statement of Loans as at 31st December, 1982	IV
Summary Statement of Borrowings as at 31st December, 1982	V
Notes to Financial Statements	VII

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Asian Development Bank — Ordinary Capital Resources at 31st December, 1982, and the results of its operations and the changes in its financial position for each of the five years in the period then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS
New York, N.Y.
25th February, 1983

APPENDIX I

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES
STATEMENT OF INCOME AND EXPENSES
FOR THE FIVE YEARS ENDED 31ST DECEMBER, 1982 AND (UNAUDITED) THE YEAR ENDED 31ST DECEMBER, 1983

	1978	1979	1980	1981	1982	1983
	(thousands of dollars—Note A)					
Income						
From loans:—						
Interest	94,402	117,394	135,850	150,223	165,469	200,199
Commissions	13,728	16,817	19,299	21,299	23,403	28,002
Commitment charge	8,279	12,448	15,655	19,404	24,458	27,543
From investments (Note C)	96,037	113,208	136,440	155,489	199,122	218,281
From other sources — net (Note F)	2,117	456	1,792	640	1,220	3,956
Gross Income	214,563	260,323	309,036	347,055	413,672	477,983
Expenses						
Interest and other financial expenses (Notes A and F)	111,629	126,258	142,408	157,676	202,731	262,934
Administrative expenses (Note F)	14,524	15,423	19,592	27,910	35,086	34,458
Services to member countries (Note E)	1,087	495	1,205	502	1,017	1,035
Other expenses	—	240	—	—	—	—
Gross Expenses	127,240	142,416	163,205	186,088	238,834	298,427
Net Income	87,323	117,907	145,831	160,967	174,838	179,556
Appropriation of Commissions to Special Reserve (Note G)	(13,728)	(16,817)	(19,299)	(21,299)	(23,403)	(28,002)
Net Income after Appropriation of Commissions to Special Reserve (Note H)	73,595	101,090	126,532	139,668	151,435	151,554

The accompanying notes to financial statements (Appendix VII) are an integral part of this statement.

Asian Development Bank

APPENDIX II

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE FIVE YEARS ENDED 31ST DECEMBER, 1982 AND (UNAUDITED) THE YEAR ENDED 31ST DECEMBER, 1983

	1978	1979	1980	1981	1982	1983 (unaudited)
	(thousands of dollars—Note A)					
Funds were provided by						
Operations						
Net income	87,323	117,907	145,831	160,967	174,838	179,556
Items not requiring or providing funds:—						
Accrued interest and other expenses	11,229	4,694	5,750	15,358	20,232	15,525
Accrued income including capitalised interest and commitment charges on loans	(34,437)	(31,475)	(19,465)	(29,447)	(31,455)	(18,701)
Administration Charge (Note F)	(10,308)	(15,423)	(20,268)	(25,118)	(27,410)	(35,690)
Commissions (transferred to Special Reserve Fund assets)	(13,728)	(16,817)	(19,299)	(21,299)	(23,403)	(28,002)
Other — net	2,061	2,541	2,565	3,093	10,368	21,660
Funds provided by operations	42,140	61,427	95,114	103,554	123,170	134,348
Borrowings	350,502	328,643	325,398	795,924	894,587	974,666
Capital subscriptions	126,988	127,327	121,784	122,784	6,824	36,380
Demand obligations of members encashed	40,171	40,989	5,105	2,953	6,818	32,755
Loans collected	70,542	93,862	119,126	135,611	139,847	154,732
Loans sold	1,300	1,909	—	—	—	—
Administration Charge collected	8,852	12,682	19,493	31,078	28,743	26,084
Decrease (increase) in loans disbursed and outstanding as a result of currency revaluations	(180,323)	72,361	9,966	145,354	127,476	139,631
Decrease (increase) in other assets as a result of currency revaluations	(11,052)	6,688	8,327	20,381	21,880	11,573
Decrease (increase) in capital set aside and transferred to Asian Development Fund due to substitution of the SDR for the 1966 dollar as unit of value	(4,591)	(693)	1,996	5,306	2,897	2,674
Net credit (charge) to Ordinary Reserve due to substitution of the SDR for the 1966 dollar as unit of value	(17,753)	(4,318)	9,345	24,698	13,974	13,027
Total	426,776	740,877	715,654	1,387,643	1,366,216	1,525,870
Funds were utilised for						
Loans disbursed	277,219	346,669	415,856	501,657	598,940	693,601
Demand obligations of members received	55,046	71,455	65,284	69,405	3,361	19,282
Bonds purchased for redemption and borrowings redeemed	140,910	105,297	205,382	267,927	239,118	203,697
Net translation adjustments	(32,804)	18,076	(5,301)	40,539	38,861	33,142
Property, furniture and equipment acquired	—	—	—	1,373	1,319	13,487
Decrease (increase) in borrowings as a result of currency revaluations	(195,552)	56,095	25,347	126,266	125,170	168,059
Decrease (increase) in matured and paid capital subscriptions due to substitution of the SDR for the 1966 dollar as unit of value	(102,384)	(27,491)	43,165	146,620	84,668	79,108
Net maintenance of value adjustments	73,961	68,403	(48,768)	(36,609)	7,635	(14,208)
Other — net	2,881	1,607	12,028	20,414	9,136	29,554
Total	219,277	640,111	712,993	1,137,592	1,108,208	1,225,722
Increase in Cash in Banks and Investments	207,499	100,766	2,661	250,051	258,008	300,148

The accompanying notes to financial statements (Appendix VII) are an integral part of this statement.

APPENDIX III

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES
BALANCE SHEET

AS AT 31ST DECEMBER, 1982 AND (UNAUDITED) AS AT 31ST DECEMBER, 1983

ASSETS	1982		1983 (unaudited)	
	(thousands of dollars - Note A)			
Cash in Banks (Note B)		53,044		55,898
Investments (Note C)				
Government and government guaranteed obligations — amortised cost (Face amounts $1,200,775 — 31st December, 1982, $1,331,506 — 31st December, 1983)	1,193,524		1,315,312	
Time deposits and other obligations of banks	640,459	1,833,983	815,965	2,131,277
Loans (See Appendix IV) (Note A)				
Loans approved — ($7,983,943 — 31st December, 1982, $9,173,733 — 31st December, 1983)				
Effective loans		6,036,704		6,718,685
Accrued Income				
On investments	57,356		45,858	
On loans	62,673	120,029	71,069	116,927
Amounts Receivable from Members				
Non-negotiable, non-interest-bearing demand obligations (Notes B and D)	377,061		353,457	
Amounts required to maintain value of currency holdings (Note E)	1,562		1,569	
Subscription instalments (Note D)	284	378,907	7,797	362,823
Other Assets				
Notional amounts required to maintain value of currency holdings (Note E)	86,133		112,277	
Administration Charge receivable from the Asian Development Fund (Note F)	2,087		11,693	
Unamortised issuance costs of borrowings (Note A)	37,417		49,525	
Property, furniture and equipment (net of accumulated depreciation of $330 — 31st December, 1982, $881 — 31st December, 1983) (Note A)	1,319		14,806	
Miscellaneous	11,137	138,093	15,384	203,685
Special Reserve Fund Assets (Note G)		123,300		151,302
Total		8,684,060		9,740,597

LIABILITIES, CAPITAL AND RESERVES	1982		1983 (unaudited)	
	(thousands of dollars - Note A)			
Undisbursed Balances of Effective Loans (See Appendix IV)		3,352,075		3,613,015
Borrowings				
Principal amounts outstanding (See Appendix V)	2,809,894		3,428,637	
Less — unamortised discounts and premiums on interest-bearing bonds and notes	9,181	2,800,713	11,047	3,417,590
Accrued Interest on Borrowings		87,823		101,538
Accounts Payable and Other Liabilities				
Notional amounts required to maintain value of currency holdings (Note E)	52,172		92,531	
Miscellaneous	16,268	68,440	14,014	106,545
Capital and Reserves (SDRs in thousands)				
Capital Stock (See Appendix VI) (Note D)				
Authorised (SDR 7,220,570 — 31st December, 1982, SDR 14,768,070 — 31st December, 1983)				
Subscribed (SDR 7,160,370 — 31st December, 1982, SDR 10,993,800 — 31st December, 1983)	7,898,676		11,509,959	
Less — "callable" shares subscribed	6,363,444		9,852,229	
"Paid-in" shares subscribed	1,535,232		1,657,730	
Less — subscription instalments not due	4,661		162,430	
Subscription instalments matured	1,530,571		1,495,300	
Less — capital set aside and transferred to the Asian Development Fund (Note H)	52,519		49,845	
	1,478,052		1,445,455	
Advance payments on subscriptions (Note D)	254		310	
Accumulated translation adjustments (Note A)	(43,715)		(76,857)	
Ordinary Reserve (Note I)	665,683		830,145	
Special Reserve (Note G)	123,300		151,302	
Net income after appropriation of commissions to Special Reserve for the years ended 31st December, 1982 and 31st December, 1983 (See Appendix I) (Note I)	151,435	2,375,009	151,554	2,501,909
Total		8,684,060		9,740,597

The accompanying notes to financial statements (Appendix VII) are an integral part of this statement.

APPENDIX IV

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF LOANS (NOTE 1)

AS AT 31ST DECEMBER, 1982 AND (UNAUDITED) 31ST DECEMBER, 1983

Borrowers/Guarantors (2)	Principal Amounts	Loans not yet Effective	Refundings and Cancellations	Payments Received: On loans held by Bank	Payments Received: For loans sold	Effective Loans	Undisbursed Balances of Effective Loans	Outstanding Balances
	(thousands of dollars—Note A)							
Bangladesh	11,400	—	2,082	4,848	—	4,470	—	4,470
Burma	6,600	—	—	681	—	5,919	78	5,841
China, Republic of	100,390	—	9,252	52,595	2,800	35,743	—	35,743
Fiji	45,900	—	112	3,250	—	42,538	13,223	29,315
Hong Kong	101,500	—	4,503	31,268	3,859	61,870	7,132	54,738
Indonesia	2,204,000	337,450	44,634	37,497	—	1,784,419	1,314,403	470,016
Korea, Republic of	1,771,830	132,800	72,353	294,985	3,456	1,268,236	509,841	758,395
Malaysia	881,828	82,500	43,181	60,606	2,140	693,401	325,437	367,964
Nepal	2,000	—	—	2,000	—	—	—	—
Pakistan	739,170	126,800	32,174	78,427	—	501,769	188,372	313,397
Papua New Guinea	68,950	—	372	491	—	67,887	45,266	22,621
Philippines	1,755,840	207,840	22,376	100,737	423	1,424,464	737,807	686,657
Singapore	178,080	—	32,542	46,006	2,830	96,702	19,452	77,250
Sri Lanka	14,135	—	931	10,352	—	2,852	—	2,852
Thailand	1,288,180	201,000	47,588	79,625	1,711	958,256	452,004	506,252
Viet Nam	3,930	—	2,389	180	—	1,361	—	1,361
Adjustments in United States dollar equivalents of loans disbursed	—	—	—	—	—	(231,202)(3)	—	(231,202)(3)
Total-31st December, 1983	9,173,733	1,088,390	314,689	803,548	17,219	6,718,685	3,613,015	3,105,670
Total-31st December, 1982	7,983,943	927,120	262,513	638,175	17,219	6,036,704	3,352,075	2,684,629

SUMMARY OF CURRENCIES RECEIVABLE ON LOANS OUTSTANDING

Currency	1982	1983
Australian dollar	71,779	53,711
Austrian Schilling	9,045	35,898
Belgian franc	379	322
Canadian dollar	5,604	5,248
Danish krone	145	138
Deutsche Mark	583,457	766,781
Italian lira	585	473
Japanese yen	1,013,641	1,230,422
Malaysian ringgit	31,662	34,122
Netherlands guilder	29,910	20,078
New Zealand dollar	7,868	6,907
Norwegian krone	4,085	3,407
Singapore dollar	1,994	2,139
Swedish krona	2,422	2,208
Pound sterling	4,210	3,534
United States dollar	352,619	341,856
Swiss franc	654,436	821,755
Hong Kong dollar	4,850	3,827
French franc	2,830	2,057
Luxembourg franc	1,274	533
Kuwaiti dinar	2,090	1,456
Saudi Arabian riyal	1,956	—
Adjustments in United States dollar equivalents of loans disbursed	(102,212)(3)	(231,202)(3)
Total	2,684,629	3,105,670

APPENDIX IV continued

MATURITY STRUCTURE OF EFFECTIVE LOANS

Twelve Months Ending 31st December	Amounts	Five Years Ending 31st December	Amounts
1984	189,207	1993	1,789,670
1985	224,384	1998	1,920,667
1986	257,986	2003	1,420,670
1987	290,820	2008	513,356
1988	321,230	2013	41,188
		Undetermined	(250,493)(4)
		Total	6,718,685

Notes:—
(1) The interest rates charged on loans approved in the first half and the second half of 1983 are 11.00 per cent. per annum and 10.50 per cent. per annum respectively (11.00 per cent.—1982). The interest rates charged on loans outstanding range from 6.875 per cent. per annum to 11.00 per cent. per annum.
(2) Loans other than those made directly to a member or to its central bank have been guaranteed by the member.
(3) This amount represents adjustments in United States dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.
(4) Represents prepayments, cancellations and translation adjustments which have not been allocated to specific maturities.

The accompanying notes to financial statements (Appendix VII) are an integral part of this statement.

APPENDIX V

ASIAN DEVELOPMENT BANK — ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF BORROWINGS

AS AT 31ST DECEMBER, 1982 AND (UNAUDITED) 31ST DECEMBER, 1983

Currency	Balance as at 31st December, 1982	Changes during the Year ended 31st December, 1983: Borrowings	Repayments and Sinking Fund and other Purchases	Translation and other Adjustments(1)	Balance as at 31st December, 1983	Weighted Average Effective Interest Rates(2): 1982	1983	Due for Redemption
	(thousands of dollars—Note A)					(per cent.)		
Austrian Schilling	899	29,727	769	(3,876)	25,981	7.30	8.18	1985–1993
Belgian franc	3,250	—	2,785	(465)	—	7.36	—	—
Deutsche Mark	635,959	240,734	32,899	(98,144)	745,650	8.44	8.38	1984–1995
Italian lira	3,650	—	625	(615)	2,410	7.22	7.22	1984–1987
Japanese yen	983,404	254,261	33,307	15,280	1,219,638(3)	8.19	8.11	1984–2001
Kuwaiti dinar	57,398	—	2,849	(315)	54,234	11.00	11.20	1984–1991
Luxembourg franc	3,581	—	172	(533)	2,876	6.64	6.64	1984–1987
Netherlands guilder	133,359	87,407	32,997	(20,531)	167,238	9.84	9.50	1984–1998
Saudi Arabian riyal	3,671	—	3,628	(43)	—	8.00	—	—
Swiss franc	633,866	97,537	17,576	(58,817)	655,010(3)	6.31	6.24	1984–1995
United States dollar	350,857	265,000(4)	76,090	15,833(1)	555,600(3)	12.40	10.85	1984–1998
Principal amounts outstanding	2,809,894	974,666	203,697	(152,226)	3,428,637	8.48	8.36	
Less — Unamortised discounts and premiums on interest-bearing bonds and notes	9,181	1,866	—	—	11,047			
Total	2,800,713	972,800	203,697	(152,226)	3,417,590			

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING

Twelve Months Ending 31st December	1982	1983	Five Years Ending 31st December	1982	1983
1983	213,218	—	1991/1992	1,910,993	2,153,585
1984	129,797	121,160	1996/1997	468,576	757,597
1985	77,222	135,457	2003/2002	78,085	51,895
1986	172,632	167,265			
1987	53,327	53,726	Total	3,103,850	3,706,760
1988	—	266,075			

Notes:—
(1) Balance outstanding as at 31st December, 1983 includes $122 million for the 10-Year Zero Coupon Notes issued in 1982 (principal amount at maturity, $400 million); amortisation of the original discount at issuance by the interest method is shown as on "Other Adjustment".
(2) The weighted average effective interest rates are computed on the principal outstanding amounts, taking into consideration discounts and premiums and the effect of currency swaps. For uniformity and consistency, annual effective interest rates for bonds with annual payment dates have been converted into semi-annual equivalents.
(3) Subsequent to 31st December, 1983 the Bank has made the following additional borrowings:—

Currency	Principal Amount	Coupon Rate	Due for Redemption
Swiss franc	SwFr 100 million	6.000%	1987–1994
Japanese yen	¥15,000 million	7.375%	1994

(4) Including net proceeds of $84.9 million (principal amount $87.5 million) with an effective interest rate of 11.97 per cent. which were swapped for SwFr 183.1 million which resulted in an effective interest rate of 5.81 per cent. based on forward exchange commitments made in connection with the currency swaps.

The accompanying notes to financial statements (Appendix VII) are an integral part of this statement.

APPENDIX VI

ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES
STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK SUBSCRIPTION ENTITLEMENTS (Note 1) AND VOTING POWER

AS AT 31ST DECEMBER, 1983 (UNAUDITED)

Members	Subscribed Capital: Number of shares	Par Value of Shares: Total	Callable	Paid-in	Subscription Entitlements (Note 2): Number of shares	Par Value of Shares: Total	Callable	Paid-in	Voting Power As at 31st December, 1983: Number of Votes	Per cent.	Including Entitlements (3): Number of Votes	Per cent.
		(thousands of dollars—Note A)				(thousands of dollars—Note A)						
Regional												
Afghanistan	1,195	12,511	8,512	3,999	1,254	13,129	12,469	660	7,302	0.531	10,603	0.578
Australia (Note 4)	102,370	1,071,763	943,082	128,681	—	—	—	—	108,477	7.894	110,524	6.024
Bangladesh	8,812	92,258	74,397	17,861	9,252	96,863	92,016	4,847	14,919	1.086	26,218	1.429
Bhutan	110	1,152	932	220	115	1,204	1,141	63	6,217	0.452	8,379	0.457
Burma	4,700	49,207	39,679	9,528	4,935	51,667	49,081	2,586	10,807	0.786	17,789	0.969
Cambodia	875	9,161	6,229	2,932	918	9,611	9,129	482	6,982	0.508	9,947	0.542
China, Republic of	9,400	98,413	79,359	19,054	9,870	103,334	98,172	5,162	15,507	1.128	27,424	1.494
Cook Islands (Note 4)	47	492	440	52	—	—	—	—	6,154	0.448	8,201	0.447
Fiji	587	6,145	4,952	1,193	616	6,450	6,125	325	6,694	0.487	9,357	0.510
Hong Kong	4,700	49,207	39,679	9,528	4,935	51,667	49,081	2,586	10,807	0.786	17,789	0.969
India (Note 4)	112,005	1,172,636	1,031,853	140,783	—	—	—	—	118,112	8.595	120,159	6.549
Indonesia (Note 5)	47,000	492,067	396,794	95,273	49,350	516,670	490,842	25,828	53,107	3.865	104,504	5.696
Japan	117,500	1,230,166	991,985	238,181	123,375	1,291,675	1,227,088	64,587	123,607	8.995	249,029	13.573
Kiribati	35	366	293	73	36	377	356	21	6,142	0.447	8,225	0.448
Korea, Republic of (Note 4)	89,123	933,073	821,060	112,013	—	—	—	—	95,230	6.930	97,277	5.302
Laos	246	2,576	2,073	503	258	2,701	2,565	136	6,353	0.462	8,658	0.472
Malaysia	23,500	246,034	198,397	47,637	24,675	258,335	245,416	12,919	29,607	2.154	56,329	3.070
Maldives	35	366	293	73	36	377	356	21	6,142	0.447	8,225	0.448
Nepal	1,269	13,286	10,710	2,576	1,332	13,945	13,244	701	7,376	0.537	10,755	0.586
New Zealand (Note 4)	27,170	284,456	250,305	34,151	—	—	—	—	33,277	2.422	35,324	1.926
Pakistan	18,800	196,827	158,718	38,109	19,740	206,668	196,335	10,333	24,907	1.812	46,694	2.545
Papua New Guinea	810	8,480	6,847	1,633	850	8,899	8,459	440	6,917	0.503	9,814	0.535
Philippines (Note 4)	42,152	441,311	388,335	52,976	—	—	—	—	48,259	3.512	50,306	2.742
Singapore	2,937	30,749	24,792	5,957	3,083	32,277	30,665	1,612	9,044	0.658	14,174	0.773
Solomon Islands	58	607	492	115	60	628	597	31	6,165	0.449	8,272	0.451
Sri Lanka	5,005	52,400	42,255	10,145	5,255	55,017	52,264	2,753	11,112	0.809	18,414	1.003
Thailand	11,750	123,016	99,198	23,818	12,337	129,163	122,703	6,460	17,857	1.299	32,241	1.757
Tonga	35	366	293	73	36	377	356	21	6,142	0.447	8,225	0.448
Vanuatu	58	607	492	115	60	628	597	31	6,165	0.449	8,272	0.451
Viet Nam	6,038	63,215	49,982	13,233	6,339	66,366	63,047	3,319	12,145	0.884	20,531	1.119
Western Samoa	58	607	492	115	60	628	597	31	6,165	0.449	8,272	0.451
Total Regional	638,380	6,683,520	5,672,920	1,010,600	278,777	2,918,656	2,772,701	145,955	827,697	60.231	1,169,931	63.764
Non-Regional												
Austria	2,937	30,749	24,792	5,957	3,083	32,277	30,665	1,612	9,044	0.658	14,174	0.773
Belgium	2,937	30,749	24,792	5,957	3,083	32,277	30,665	1,612	9,044	0.658	14,174	0.773
Canada (Note 4)	92,543	968,879	852,563	116,316	—	—	—	—	98,650	7.179	100,697	5.488
Denmark (Note 4)	6,020	63,026	55,457	7,569	—	—	—	—	12,127	0.883	14,174	0.773
Finland	1,175	12,302	8,983	3,319	1,233	12,909	12,260	649	7,282	0.530	10,562	0.576
France (Note 5)	14,687	153,766	123,990	29,776	15,421	161,450	153,378	8,072	20,794	1.513	38,563	2.085
Germany, Federal Republic of	37,334	390,868	315,184	75,684	39,200	410,404	389,884	20,520	43,441	3.161	84,688	4.615
Italy	11,750	123,016	99,198	23,818	12,337	129,163	122,703	6,460	17,857	1.299	32,241	1.757
Netherlands	6,462	67,654	54,557	13,097	6,785	71,036	67,486	3,550	12,569	0.915	21,401	1.166
Norway	2,937	30,749	24,792	5,957	3,083	32,277	30,665	1,612	9,044	0.658	14,174	0.773
Sweden	1,175	12,302	8,983	3,319	1,233	12,909	12,260	649	7,282	0.530	10,562	0.576
Switzerland	4,037	42,265	34,078	8,187	4,238	44,370	42,150	2,220	10,144	0.738	16,429	0.895
United Kingdom (Note 4)	36,131	378,273	332,867	45,406	—	—	—	—	42,238	3.074	44,285	2.413
United States (Note 4)	240,875	2,521,841	2,219,073	302,768	—	—	—	—	246,982	17.973	249,029	13.573
Total Non-Regional	461,000	4,826,439	4,179,309	647,130	89,696	939,072	892,116	46,956	546,498	39.769	664,852	36.236
Total	1,099,380	11,509,959	9,852,229	1,657,730	368,473	3,857,728	3,664,817	192,911	1,374,195	100.000	1,834,783	100.000

Notes:—
(1) On 25th April, 1983, the Board of Governors approved a third general increase in the Bank's authorised capital stock by 754,750 shares (from 722,057 shares to 1,476,807 shares) which became effective on that date. Each member is entitled to subscribe to 105 per cent. of the number of shares subscribed by it on the date of the resolution, with 5 per cent. of the subscription being paid-in shares and the remainder being callable shares. The resolution provides for instalments of subscriptions to be submitted by 31st May, 1984, or such later date as the Board of Directors may determine.
(2) Entitlements under the third general capital increase not yet subscribed as at 31st December, 1983.
(3) Voting Power including entitlements indicates the voting position when all members have subscribed to their entitlements under the third general capital increase.
(4) These members have subscribed capital to their entitlements under the third general capital increase and the amounts shown under "Subscribed" include such entitlements.
(5) Subsequent to 31st December, 1983, France and Indonesia have subscribed to 15,421 and 49,350 shares respectively under the third general capital increase.

The accompanying notes to financial statements (Appendix VII) are an integral part of this statement.

APPENDIX VII

ASIAN DEVELOPMENT BANK— ORDINARY CAPITAL RESOURCES NOTES TO FINANCIAL STATEMENTS

(Information relating to the year ended 31st December, 1983 is unaudited)

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Functional Currencies and Reporting Currency
The currencies of members are functional currencies. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

(2) Capital Stock
The capital stock is defined in Article 4, paragraph 1 of the Articles of Agreement "in terms of United States dollars of the weight and fineness in effect on 31st January, 1966" (the "1966 dollar"). The capital stock had historically been translated into the current United States dollar (the Bank's unit of account), on the basis of its par value in terms of gold. From 1973 until 31st March, 1978, the rate arrived at on this basis was $1.20635 per 1966 dollar. Since 1st April, 1978, at which time the Second Amendment to the Articles of Agreement of the International Monetary Fund (the "IMF") came into effect, currencies no longer have par values in terms of gold. The Bank is examining the implications of this change on the valuation of its capital stock but has not made a decision on the matter. Pending such a decision, the Bank's capital stock has been valued for purposes of the accompanying financial statements in terms of the Special Drawing Right (SDR), at the value in current U.S. dollars as computed by the IMF. As at 31st December, 1983, the SDR was valued at $1.04695 ($1.10311 — 1982). (*See Note D. This note also shows what the value of the Bank's capital stock would be if expressed in terms of $1.20635 per 1966 dollar.*)

(3) Translation of Currencies
Assets and liabilities are translated from their functional currencies to the reporting currency generally at the applicable rates of exchange at the end of a reporting period. Income and expense amounts are translated for each quarter generally at the applicable rates of exchange at the beginning and the middle of each month (at the beginning of the quarter in 1982); such practice approximates the application of average rates in effect during the quarter. Translation adjustments, other than those relating to maintenance of value of currency holdings (see Note E), are charged or credited to "Accumulated translation adjustment". Exchange gains or losses on *currency transactions among functional currencies are included in income.*

(4) Loans
Effective 1st January, 1983, the Bank adopted an Exchange Risk Pooling System for its lending operations as a means of equalising exchange rate risks among borrowers. All loans negotiated after that date have been included in the system and borrowers under earlier loans are given the option of having the undisbursed balances of their loans included in the system. The pool consists of all currencies disbursed and not yet due for repayment under all loans or portions of loans included in the system (pooled loans). The principal amount withdrawn and outstanding under each pooled loan consists of its pro-rata share of each of the currencies and the composite exchange adjustment of the pool from time to time. The borrowers of loans, and portions of loans not included in the system, remain obliged to repay the Bank the currencies used by the Bank in making disbursements on their loans.

(5) Unamortised Issuance Costs of Borrowings
Unamortised issuance costs of borrowings are rateably amortised over the life of each issue.

(6) Property, Furniture and Equipment
The headquarters building of the Bank, including land, facilities and fixtures and the initial cost of necessary staff amenities and other related furnishings have been provided to the Bank by the Government of the Republic of the Philippines which has also provided additional office space in a second building. The Bank has leased additional office space in other buildings and has fitted and furnished all additional office space. To meet the Bank's needs for future office accommodations, the Bank has purchased a parcel of land at a site near the Ortigas Commercial Center in Metro Manila at the cost of $9,555,000 equivalent for the construction of a proposed new headquarters building. Significant purchases of property, furniture and equipment by the Bank are capitalised and depreciated over estimated useful lives of related assets using the straight-line method. Other purchases are charged to expense.

(7) Staff Retirement Costs
The Bank absorbs all expenses of administering the Staff Retirement Plan and charges all of its contributions thereto (see Note J) to administrative expenses currently.

NOTE B—RESTRICTIONS ON USE OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i), the use by the Bank or by any recipient from the Bank may be restricted by the member to payments for goods or services produced and intended for use in its territory, as follows:—

The use of cash in banks and demand obligations in the currencies of 27 members aggregating $35,720,000 ($48,336,000—1982) and $214,498,000 ($213,432,000—1982) respectively.

In accordance with Article 24, paragraphs 2(i) and (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to payments for goods or services produced in its territory, as follows:—

The use of cash in banks and demand obligations in the currencies of two members aggregating $35,000 ($72,000—1982) and $3,706,000 ($4,483,000—1982) respectively.

NOTE C—INVESTMENTS

As at 31st December, 1983, the market value of investments was $2,129,723,000 ($1,862,950,000—1982), including investments not traded in the market which were valued at their cost or amortised cost of $1,014,910,000 ($727,766,000—1982). During the year ended 31st December, 1983, sales of investments resulted in a net gain of $4,504,000 ($8,466,000—1982). Gains and losses on sales of investments are measured by the difference between average amortised cost and the net proceeds of sales. The annualised rate of return on the average investments held during the year, based on the portfolio held at the end of each month, including realised gains and losses, was 10.28 per cent. (11.46 per cent.—1982).

NOTE D—CAPITAL STOCK

The authorised capital stock of the Bank consists of 1,476,807 shares (722,057—1982), of which 1,099,380 (716,037—1982) shares have been subscribed by members. Of the subscribed shares, 941,041 (576,864—1982) are "callable" and 158,339 (139,173—1982) are "paid-in". The "callable" share capital is subject to call by the Bank only as and when required to meet the Bank's obligations incurred on borrowings or on guarantees. The "paid-in" share capital is payable or has been paid in instalments partly in convertible currencies and partly in the currency of the subscribing member. In accordance with Article 6, paragraph 3 of the Articles, the Bank accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations.

In the Articles, the Bank's capital stock is defined "in terms of United States dollars of the weight and fineness in effect on 31st January, 1966", and the value of each share of stock is defined as being 10,000 1966 dollars. On 1st April, 1978, the Second Amendment to the IMF Articles entered into force, under which gold has been abolished as a common denominator of the international monetary system, currencies no longer have par values, and all calculations for the purposes of the IMF Articles are made on the basis of the SDR. Simultaneously, the provision of United States law defining the par value of the United States dollar in terms of gold was repealed. As a result of these changes, the pre-existing basis for translating the term "United States dollars of the weight and fineness in effect on 31st January, 1966" into current United States dollars, or into any other currency, no longer exists.

The Bank is considering a proposal that its capital stock be redefined in terms of the SDR. A member government has raised the question whether the substitution of a new unit of value, insofar as it would give rise to any new obligations with respect to maintenance of value and capital stock subscription payments, should be made only by amendment of the Articles. This member has also raised questions as to the appropriateness of substituting a unit of value other than the SDR, the desirability of retaining the principle of maintenance of value, and the form in which maintenance of value should be applied.

The General Counsel of the Bank is of the opinion that the SDR is the successor in the international monetary system to the gold-based dollar, and that pending the exercise by the appropriate authorities of the Bank of their statutory powers under Chapter IX of the Articles, references in the Articles to the 1966 dollar should be read as referring to the SDR as defined from time to time by the IMF. In view of this, and pending consideration and action on the issues referred to in the preceding paragraph, the Bank has for the purposes of these financial statements expressed the value of its capital stock in terms of the SDR, on the basis that each share has the value of SDR 10,000. For the purposes of these financial statements, it has also measured the mutual obligations of each member and of the Bank with respect to maintenance of value of currency holdings by that standard. However, the appropriate authorities of the Bank could decide that the value of each share should be fixed at $12,063.50, on the basis of a substitution of 1.20635 current United States dollars for each 1966 dollar.

When the SDR was introduced into the IMF Articles in 1969, it was expressed in terms of a specified weight of gold equal to the gold content of the 1966 dollar. Since 1st July, 1974, its value has been based on the weighted relative values of a number of major currencies (a "currency basket"). On 1st July, 1974, the value of the SDR, expressed in terms of United States dollars, was $1.20635, namely the same value as the 1966 dollar, but subsequently the value in current monetary terms has varied from day to day. Effective 1st July, 1978, the IMF made certain adjustments in the SDR currency basket, and established a method for further adjustments at five-yearly intervals, to reflect changes in the relative importance of currencies over time, while ensuring continuity and reasonable predictability for the valuation of the SDR. The IMF further revised the currency basket effective 1st January, 1981 by reducing the number of currencies from 16 to 5. The adjustments made at the time of the changes were such that the value of the revised baskets in terms of any currency was exactly the same under both the then existing and the revised valuations. As at 31st December, 1983, the value of the SDR in terms of the United States dollar was $1.04695 ($1.10311—1982) giving a value for each share of the Bank's capital equivalent to $10,469.50 ($11,031.10—1982).

If the capital stock as at 31st December, 1983 had been valued in terms of $12,063.50 per share, the "callable" capital subscribed would have been $11,352,348,000 ($6,958,999,000—1982), instead of $9,852,229,000 ($6,363,444,000—1982), the "paid-in" capital subscribed would have been $1,910,123,000 ($1,678,913,000—1982), instead of $1,657,730,000 ($1,535,232,000—1982), the total subscribed capital would have been $13,262,371,000 ($8,637,912,000—1982), instead of $11,509,959,000 ($7,898,676,000—1982), and maintenance of value obligations would have been $206,027,000 ($154,154,000—1982) receivable from members, instead of $21,315,000 ($35,523,000—1982) receivable from members.

As at 31st December, 1983, all matured instalments amounting to $1,495,300,000 ($1,530,571,000—1982) were received except $7,797,000 ($284,000—1982). Instalments not due aggregating $162,430,000 ($4,661,000—1982) are receivable as follows:—

	31st December, 1982	31st December, 1983
	(dollars)	
1983	2,653,000	—
1984	1,950,000	41,985,000
1985	58,000	40,189,000
1986	—	40,134,000
1987	—	40,123,000

Payment in respect of capital subscription instalments in advance of due dates are shown in the balance sheet (under the title "Capital and Reserves") as "Advance payments on subscriptions" pending the determination of the full value of such payments based on the rate of exchange to be used by the Bank as of the date on which such payments are actually due.

NOTE E—MAINTENANCE OF VALUE OF CURRENCY HOLDINGS

Prior to 1st April, 1978, the effective date of the Second Amendment to the IMF Articles, the Bank implemented maintenance of value in respect of holdings of member currencies in terms of 1966 dollars, in accordance with *the provisions of Article 25 of its Articles and relevant resolutions of the* Board of Directors. The "Amounts required to maintain value of currency holdings" under "Amounts Receivable From Members" represent the aggregate amounts receivable resulting from changes in exchange rates of member currencies from those previously used for the purpose of computing maintenance of value of the Bank's holdings of certain member currencies (see Note D).

Since 1st April, 1978, inasmuch as the valuation of the Bank's capital stock and the basis of determining possible maintenance of value obligations are still under consideration, notional amounts have been calculated provisionally as receivable from or payable to members in order to maintain the value of currency holdings in terms of the SDR. The timing of any establishment and settlement of such amounts is uncertain. The notional amounts as at 31st December, 1983 consisting of receivables of $112,277,000 ($86,133,000—1982) and payables of $92,531,000 ($52,172,000—1982) represent (a) the net decrease of $204,458,000 ($152,592,000—1982) in the value of currency holdings in relation to the United States dollar, the Bank's unit of account, during the period 1st April, 1978 to 31st December, 1983, offset by (b) the decrease of $184,712,000 ($118,631,000—1982) in amounts required to maintain the value of such currency holdings to the extent of matured and paid capital subscriptions due to the decrease in the value of the SDR in relation to the United States dollar during the same period.

NOTE F—INCOME AND EXPENSES

Income from other sources includes an exchange gain of $163,000 ($1,388,000—1978, loss of $450,000—1979, loss of $544,000—1980, loss of $1,393,000—1981, and loss of $831,000—1982).

During the year ended 31st December, 1983, interest expense of $537,000 was capitalised as a part of the cost of the proposed new headquarters building.

Administrative expenses are net of Administration Charge to Special Operations amounting to $35,690,000 ($10,308,000—1978, $15,423,000—1979, $20,268,000—1980, $25,118,000—1981, and $27,410,000—1982). The Administration Charge to Special Operations is presently based on a formula which takes into consideration all administrative expenses (other than those appertaining directly to ordinary operations and special operations) and the number of loans approved.

NOTE G—SPECIAL RESERVE

In accordance with Article 16, paragraph 1, the Bank charges a commission calculated at one per cent. per annum on the outstanding amount of loans made by it from the ordinary capital resources. In accordance with Article 17, an amount equivalent to such commissions is appropriated to a Special Reserve. Special Reserve Fund assets consist of government and government guaranteed obligations (time deposits and certificates of deposit—1982).

NOTE H—CAPITAL SET ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1 (i), the Board of Governors has authorised the setting aside of 10 per cent. of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) and of the convertible currency portion paid by members pursuant to Article 6, paragraph 2(b) as at 28th April, 1973 to be used as a part of the Special Funds of the Bank. The resources so set aside, amounting to $49,845,000 ($52,519,000—1982) as at 31st December, 1983 expressed in terms of the SDR on the basis of $1.04695 ($1.10311—1982) per SDR ($57,434,000 in terms of $1.20635 per 1966 dollar —see Notes A and D), were allocated and transferred to the Asian Development Fund.

NOTE I—ORDINARY RESERVE AND NET INCOME AFTER APPROPRIATION OF COMMISSIONS TO SPECIAL RESERVE

Under the provisions of Article 40, the Board of Governors shall determine annually what part of the net income after appropriation of commissions to Special Reserve (see Note G) shall be allocated, after making provisions for reserves, to surplus and what part, if any, shall be distributed to the members. Net income after appropriation of commissions to Special Reserve up to the year ended 31st December, 1982 was allocated to the Ordinary Reserve.

The restatement of the capital stock for purposes of these financial statements on the basis of the SDR instead of the 1966 dollar (see Notes A and D) resulted in a net credit of $13,027,000 to the Ordinary Reserve during the year ($13,974,000—1982). This net credit represents the amount of $79,108,000 ($84,668,000—1982) restatement of the matured and paid capital subscriptions offset by the net amount of $66,081,000 ($70,694,000—1982) notional maintenance of value adjustments attributable to the changes in the value of the SDR in relation to the United States dollar, the Bank's unit of account, during the year. (See Note E.)

NOTE J—STAFF RETIREMENT PLAN

The Bank has a contributory Staff Retirement Plan (the "Plan"). Every employee, as defined under the Plan, shall, as a condition of service, become a participant on the first day of service, provided that as at such a date, the employee shall not have reached the normal retirement date. The Plan applies also to members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

From December 1974, participants have contributed 9⅓ per cent. of their remuneration to the Plan, and the Bank has contributed amounts equal to 18⅔ per cent. of the participants' remuneration. The Bank's contribution is determined at a rate sufficient to cover that part of the costs of the Plan not covered by the participants' contributions. For the year ended 31st December, 1983, the amount contributed by the Bank was $5,980,000 ($2,185,000—1978, $2,647,000—1979, $3,414,000—1980, $4,388,000—1981 and $5,214,000—1982).

The actuarial present value of vested and non-vested accumulated Plan benefits as at 30th September, 1983, the date of the last actuarial valuation, totalled $36,870,000 ($29,259,000—1982) and $2,301,000 ($2,949,000—1982) respectively. Net assets available for benefits totalled $62,643,000 ($42,785,000—1982) as at 30th September, 1983. The weighted average assumed rate of return used in determining the actuarial present value of accumulated Plan benefits was 8 per cent.

NOTE K—SERVICES TO MEMBER COUNTRIES

The Bank's outstanding commitments for technical assistance projects and programmes totalled approximately $24,840,000 as at 31st December, 1983 ($17,015,000—1982); to the extent available, contributions to the Technical Assistance Special Fund may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the portion representing the cost of design and engineering and any remaining balance over $150,000 will be converted to the subsequent loan. Under such options, technical assistance expenditures of $62,000 (nil in each of the years 1978 to 1981 and $31,000 in 1982) were charged to loans and credited to income of ordinary capital resources during the year ended 31st December, 1983.

GENERAL INFORMATION

The Bank has agreed to pay the Underwriters commissions aggregating £1.25 per £100 nominal of Stock for their services as managers and underwriters of the issue, out of which will be paid, on behalf of the Bank, commissions to the brokers to the issue (Rowe & Pitman and Phillips & Drew) and certain other persons who have agreed to accept sub-underwriting participations in respect of the issue of the Stock. The Bank will pay brokerage of 12½p per £100 nominal of Stock to recognised banks or stockbrokers on allotments made in respect of applications bearing their stamp; this commission will not, however, be paid in respect of any allotment which arises out of a sub-underwriting commitment. The total expenses of the issue (including the above-mentioned commissions but excluding brokerage) are estimated to amount to about £1,464,000 and are payable by the Bank.

The Bank has obtained the approval and agreement of H.M. Government required in connection with the Charter.

Deloitte Haskins & Sells have given and have not withdrawn their written consent to the inclusion of their opinion dated 25th February, 1983 on the financial statements in the form and context in which it appears.

Copies of the Instrument constituting the Stock, the latest financial statements of the Bank and the Charter will be available for inspection at the specified offices of the Registrar and the Paying Agents until the date for redemption of the Stock and the Purchase Agency Agreement will be so available until its expiry.

Copies of the Prospectus and application form may be obtained from:—

S. G. Warburg & Co. Ltd., 30 Gresham Street, London EC2P 2EB.
Rowe & Pitman, City-Gate House, 39-45 Finsbury Square, London EC2A 1JA.
Phillips & Drew, 120 Moorgate, London EC2M 6XP.

Documents for Inspection
Copies of the following documents will be available for inspection at the offices of Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH during normal business hours until 4th March, 1984:—

(i) the Charter, By-Laws, Rules of Procedure of the Board of Governors and Rules of Procedure of the Board of Directors of the Bank;
(ii) the Underwriting Agreement referred to above;
(iii) a draft, subject to modification, of the Instrument constituting the Stock;
(iv) the audited Financial Statements of the Bank for the five years ended 31st December, 1982;
(v) a draft, subject to modification, of the Purchase Agency Agreement;
(vi) a draft, subject to modification, of the Registrar's, Paying and Exchange Agency Agreement;
(vii) a proof, subject to modification, of the renounceable allotment letter referred to above;
(viii) a copy of the *Journal of the Institute of Actuaries*, Vol. 105, Part I, 1978, pp. 15 to 26; and
(ix) the consent of Deloitte Haskins & Sells referred to above.

PRINCIPAL OFFICE OF THE BANK
2330 Roxas Boulevard, Metro Manila, Philippines

RECEIVING BANK
Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU

REGISTRAR AND TRANSFER OFFICE
Lloyds Bank Plc, Registrar's Department,
Issue Section, 111 Old Broad Street, London EC2N 1AU
Goring-by-Sea, Worthing, West Sussex, BN12 6DA

PRINCIPAL PAYING AGENT AND EXCHANGE AGENT
Lloyds Bank Plc, Registrar's Department,
Issue Section, 111 Old Broad Street, London EC2N 1AU
Goring-by-Sea, Worthing, West Sussex, BN12 6DA

PAYING AGENTS
Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, P.O. Box 1108, Luxembourg
Morgan Guaranty Trust Company of New York, 35 Avenue des Arts, B-1040 Brussels, Belgium

INDEPENDENT AUDITORS TO THE BANK
Deloitte Haskins & Sells, 1114 Avenue of the Americas, New York, New York 10036

LEGAL ADVISERS
To the Bank: Freshfields, Grindall House, 25 Newgate Street, London EC1A 7LH
To the Underwriters: Allen & Overy, 9 Cheapside, London EC2V 6AD

BROKERS
Rowe & Pitman, City-Gate House, 39-45 Finsbury Square, London EC2A 1JA
Phillips & Drew, 120 Moorgate, London EC2M 6XP

APPLICATION FORM

The application list will open at 10.00 a.m. Thursday, 23rd February, 1984, and will close later the same day.
This form must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU.
THE STOCK IS NOT OPEN FOR APPLICATION BY U.S. PERSONS AS DEFINED IN THE PROSPECTUS DATED 20TH FEBRUARY, 1984.

ASIAN DEVELOPMENT BANK
Issue on a yield basis of £100,000,000 Loan Stock 2009
Payable as follows:—
On application £25 per cent. of the nominal amount of the Stock. On 24th July, 1984, the balance of the issue price.

To: S. G. Warburg & Co. Ltd. on behalf of Asian Development Bank
In accordance with the terms of the Prospectus dated 20th February, 1984 (the "Prospectus"), I/we request you to allot me/us Stock as set out below.

Nominal amount of the Stock applied for	Amount enclosed at £25 per cent. of the nominal amount applied for
£ ·00	£ ·00

Applications for Stock must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	Multiple	Amount of Stock applied for	Multiple
Up to £1,000	£100	£10,000 to £100,000	£10,000
£1,000 to £10,000	£1,000	£100,000 or greater	£100,000

I/We enclose a cheque* in the amount set out in the right hand box above.

I/We undertake to accept the amount of Stock applied for or any lesser amount that may be allotted in respect of this application and to pay for the same in conformity with the terms of the Prospectus.

In consideration of Asian Development Bank agreeing to allot the Stock on and subject to the terms and conditions of the Prospectus and of the Underwriting Agreement referred to therein, I/we agree that this application shall be irrevocable until Thursday, 1st March, 1984 and that this sentence shall constitute a collateral contract between Asian Development Bank and me/us which shall become binding upon the despatch by mail or the delivery of this application form duly completed to Lloyds Bank Plc. I/We understand that the completion and delivery of this form accompanied by my/our cheque constitutes a representation that my/our cheque will be honoured on first presentation. I/We hereby engage to pay the balance payable on the Stock by 24th July, 1984 on any allotment made to me/us in respect of this application and I/we understand that failure to pay such balance by the due date will render the amount previously paid liable to forfeiture and the allotment liable to cancellation and that interest at the rate of two per cent. above the Base Rate for the time being of Lloyds Bank Plc may be charged on such balance if accepted after its due date and that Asian Development Bank may, without prejudice to any other rights, in default of payment sell the Stock fully paid for its own account. I/We acknowledge that any letter of allotment is liable to be held pending clearance of such payment.

I/We hereby represent that I am not/none of us is a U.S. person as defined in the Prospectus.

I/We hereby request that any allotment of Stock to me/us be evidenced by a letter of allotment addressed to me/us and be sent by first class post at my/our risk to me/us at the first address shown below (unless the alternative method of payment (see below) is elected. Cheques should be made payable to "Lloyds Bank Plc" and crossed "ADB Loan" and drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

*A separate cheque must accompany each application form unless the alternative method of payment (see below) is elected.

Please pin cheque here

Date:

(1) Usual signature:
In the case of a corporation, the common seal must be affixed or this form signed by a duly authorised officer who must state his capacity.
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

Joint Applicants (if any):
In the case of joint applicants all must sign.
(2) Usual signature:
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

Please use BLOCK LETTERS

(3) Usual signature:
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

(4) Usual signature:
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

FOR OFFICE USE ONLY
1. Acceptance number
2. Amount of Stock allotted £
3. Amount received on application £
4. Amount payable on Stock accepted £
5. Amount returned £
6. Balance payable £
7. A.L. number
8. Cheque number

Stamp of bank or broker claiming brokerage (if any)

ALTERNATIVE METHOD OF PAYMENT

(This method of payment is available only to recognised banks or stockbrokers as described in the Prospectus.)

We hereby engage to pay Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU for credit to the account designated "ADB Loan–Alternative Payment" by 10.00 a.m. on 29th February, 1984 the amount in Town Clearing Funds representing payment at the rate of £25 per cent. of the nominal amount of the Stock for the Stock allotted to the person(s) named above in respect of this application. In consideration of Asian Development Bank agreeing to allot the Stock as mentioned above, we agree that this engagement shall be irrevocable until 1st March, 1984 and that this sentence shall constitute a collateral contract between Asian Development Bank and us which shall become binding upon despatch or delivery of this application form to Lloyds Bank Plc.

Authorised signatory:
In the case of a corporation, the common seal must be affixed or this form signed by a duly authorised officer who must state his capacity.

Please tick here if you wish to collect your renounceable letter of allotment from Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU. Box A

Name of recognised bank or stockbroker:

Address in full:

UK COMPANY NEWS

STC profits surge by 43% to £92m for year

A SECOND HALF increase from £37.9m to £49.8m lifted taxable profits of **Standard Telephones and Cables**, *telecommunications* and electronics group, to £92.2m for 1983, compared with £64.3m previously, a 43 per cent rise.

Including acquisitions, turnover for the period was virtually £300m higher at £920.6m (£628.5m). The original companies' contribution to the pre-tax figure was £84.7m while those acquired in 1983 turned in £10.2m. Interest paid on the acquisitions was £2.7m.

The directors say that with the improved international competitiveness of sterling, and with good prospects for a continuation of economic growth, they are confident that the high level of investment (£214m in the year) will prove justified.

Further substantial investment in new products, technology and equipment is planned to enhance the group's competitive position and growth prospects.

Overseas sales expanded from *£143.3m to £273.2m, the growth* reflecting the board's decision to increase the group's international presence — companies acquired in the year contributed £114.9m.

After tax of £26.6m (£24.1m) earnings per 25p share were 20.6p against 13.4p, while the dividend is stepped up from an equivalent 6p to 7.5p net with a final payment of 4.75p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
English & Scott Inv 2nd int.	1.35	April 5	1.25	2.1	2
Scottish Eastern	1.85	May 7	1.85	3.35	3.35
STC	4.75	May 7	4	7.5	6*
Temple Bar Tst	2.7	Mar 30	2.7	4.2	4.2

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

Operating profits amounted to £93.1m, compared with £68.5m, and were after depreciation of £28.5m (£18.5m).

Pre-tax figure included invest*ment income up from £1.9m to* £4.8m but was after interest payable of £5.7m (£6.1m). After the tax charge, and minorities £0.2m (nil) the attributable balance came through £25.3m ahead at £65.5m.

Orders on hand at the end of 1983 were higher at £572m, against £506m. Research and development expenditure took £53.3m (£37.5m) while capital expenditure amounted to £60m, compared with £33.4m.

Sir Kenneth Corfield, chairman, said later that the outstanding order book and renewed growth in submarine cable business "all point to having had a good year and one which will be bettered in 1984."

Around 80 per cent of production in the group's main areas of business, is already covered by STC orders in hand, he stated. "We have doubled in size during the past four years and we expect to double in size again during the next four years."

Included in home sales, of just over £647m in 1983, were sales to British Telecom of £305.4m. The chairman commented that the group was looking forward to a significant increase in business with British Telecom, both in volume of tradi*tional, and new, products.*

On a current cost basis the pre-tax figure is reduced to £78.2m (£53.1m).

See Lex

Burmatex seeks London SE listing

By Alison Hogan

A LONG established West Yorkshire carpet manufacturer, Burmatex, is seeking a quotation on the Stock Exchange which is expected to give it a market capitalisation of around £12m.

Robert Fleming is placing around 25 per cent of the issued share capital next Tuesday at a price yet to be fixed, but expected to give a prospective earnings multiple of around 13.

Burmatex specialises in the manufacture of fibre bonded carpet products, including the Burmatex "Velour" loose lay carpet tile. Turnover splits roughly 60 per cent tiles, 40 per cent carpet rolls.

It took a significant step forward to boost profits and margins in 1981 when it began to back its own carpet with a process called APP (atactic polypropylene) which had previously been sub-contracted to *companies in West Germany and* Switzerland. Pre-tax profits rose from £568,000 to £1.14m in the year to November 1982, while margins rose 4.6 per cent to 19.8 per cent.

The company has seen a steady *increase in turnover, profits and* trading profit margins in the last five years, backed up by a £1.5m investment in plant and expenditure. Pre-tax profits in the year to November 1983 were £1.34m, turnover was £5.97m and trading profit margins 20.3 per cent, up from 11.8 per cent in 1979.

The company has built up a small overseas business, around 4 per cent of turnover in 1983, which is expected to double in the current year, particularly with the success of the new low loop polypropylene tufted carpet tile, "Tivoli," in Japan.

No new money is being raised for the company, which has *approximately £700,000* cash and another £800,000 or so invested in gilts. The placing will raise around £3m for the chairman, Mr Brian Burrows, and three fellow directors.

The company has a short order book of two to three weeks which makes a profits forecast difficult for the full year to November—although Mr Burrows says that order volume and growth has been consistent.

The prospectus will forecast a profits increase of roughly a third to around £750,000 for the six months to May.

Burmatex has room for considerable expansion at its site in Ossett, West Yorkshire *where the original business was* founded in 1917. Investment of £200,000 is planned for the current year to increase production capacity to help meet the anticipated increase in sales of around 25 per cent.

Brokers to the issue are de Zoete & Bevan and Rensburg & Co.

Micro Focus to raise £9m by rights

BY WILLIAM DAWKINS

Micro Focus Group, the computer software company which joined the Unlisted Securities Market last May, is to raise £9m net of expenses via a one-for-six rights issue.

The group is issuing 1,743,069 new ordinary shares at 535p each and plans to use the proceeds for the development or acquisition of new products, technology or distribution channels. It may also use the funds to refinance any acquisitions, which it would make in exchange for shares.

Micro Focus yesterday reported that pre-tax profits for the year to December 7, 1983 had nearly tripled from £854,000 to £2.35m on turnover up from £4.45m to £9m. Earnings per share have risen from 9.5p to 21p. As last year, there is no dividend.

Development costs, which are written-off above the line, have increased from £747,000 to £1.28m. In 1983, 87 per cent of the group's revenue was earned overseas, compared with 77 per cent in 1982.

The current financial year has started well, says the company, and orders received during the first two months ran at more than double the level of the corresponding period last year.

It reports that its traditional computer manufacturing markets remain strong and are being added to by the entry of major U.S. telecommunications companies into the computer industry. Until recently, Micro Focus' software, which facilitates the use of Common Business Oriented Language (COBOL) on microcomputers, had been sold entirely to computer manufacturers. The group *is now beginning to obtain its* first direct orders from large computer users.

The rights issue has been underwritten by Singer & Friedlander and the brokers are Laurence Prust. Allotment letters should be received by March 14 and dealings in the new shares are expected to start on March 16.

● comment

Not many companies can launch a £9m rights issue and see their shares jump 80p to an all-time high of 720p all on the same day. The market in Micro Focus' shares is thin, but its nearly tripled profits on doubled turnover also had something to do with it. Clearly, Micro Focus judged correctly that microprocessors would be the fastest growing area of the business computer market and *that demand for COBOL soft*ware would increase with it. The rights issue is to help the group over the next hurdles: developing the management systems to handle an annual doubling in sales; and taking on staff, with the £30,000 personal computer that each extra employee needs. Three-quarters of the cash that Micro-Focus raised on its arrival on the USM last year has already gone into establishing a new head office and developing a communications network between Newbury, Japan and the U.S. Meanwhile, the directors are on the look-out for further technology purchases like the software deal with The Santa Cruz Operation last November. If the present orderbook is any sign, the company looks capable of at least £5m pre-tax this year, which puts the shares on an actual tax ex-rights multiple of nearly 20 — significantly lower *than earlier ratings.*

Grainger £3m debenture issue

THE £11m Newcastle-based property company, Grainger Trust, is refinancing its borrowings through the issue of a £3m first mortgage debenture stock. It is also graduating to a full listing just a year after Morgan Grenfell brought it to the Unlisted Securities Market.

Grainger Trust has a property portfolio valued at £25.29m at September 30, divided between investment properties which are mainly commercial and trading properties which are wholly residential.

The commercial portfolio includes a joint venture with the Reckitt & Colman Pension Fund valued at £2.47m of properties mainly located in central Newcastle. Grainger Trust also owns properties worth £1.26m in the British Virgin Islands.

Its trading portfolio of tenanted residential properties which it maintains and improves out of rental income and eventually sells when vacant, has a residential valuation of £17m which rises to £32m with vacant possession. The annual vacancy rate has averaged 7 per cent.

The £3m debenture stock has been fixed at a margin of 1.5 per cent over the 13½ per cent Treasury stock 2004-8. The issue price is £98.548 at a coupon of 11¾ per cent and the gross redemption yield on issue is 11.92 per cent with the first payment of interest of 7.05 per cent due on September 30.

The stock is secured by a Trust Deed in favour of Guardian Exchange Assurance and by specific charges on commercial properties located mainly in the North East, valued independently at £5.03m.

Pre-tax profits in the year to September 1983 were £1.22m up from £712,000 with a total net dividend of 4.2p. The company forecasts a dividend for the year to September 1984 of not less than 4.8p giving a prospective yield of 2.6 per cent based on the share price of 260p. Net assets per share are 322p per share, before deducting tax liability of 108p per share which would arise on realisation.

Brokers to the issue are Cazenove and Wise, Speke.

Operating rise for Moracrest: £9m valuation

Moracrest Investments, which invests in the equity of unquoted companies, pushed up its operating *income from £784,000* to £952,000 in the year ended September 1983, but the absence of a special dividend this time is the major factor in a reduction of other income from £473,000 to £111,000. This gives a pre-tax profit of £1.06m, against £1.26m.

New investments during the year totalled £1.1m, bringing the broadly based portfolio to £8.9m comprising 17 investments. The directors' valuation shows a 25 per cent increase over cost at £11.1m.

Since the end of the financial year the group has made a further investment of £200,000; exchanged contracts for further *investments* totalling £2.13m; and realised an investment at a capital gain of £975,000.

Ozalid

For the year ended November 30 1983 *Ozalid Group Holdings* turned in pre-tax profits of £1.27m, compared with £2.46m. The second half contributed £530,000, against £1.18m, and not £13,000 losses against £4.85m profits, as reported yesterday.

Scottish Mutual lifts bonus rates

The **Scottish Mutual Assurance Society** is increasing its reversionary bonus rate for 1983 on its individual pension contracts by 25p to £5.75 per cent of the basic benefit, keeping unchanged the £7 per cent rate on attaching bonuses.

However, the reversionary bonus rate on ordinary life contracts remains at £4.50 per cent of the sum assured and £5.75 per cent of attaching bonuses.

The company is substantially increasing all its terminal bonus rates for claims arising in 1984.

Turner and Newall

The full year figures from Turner and Newall will be released on March 21 and not today as indicated in Saturday's edition.

Lloyd's Life chief opposes offshore fund restrictions

THE GOVERNMENT'S move to clamp down on offshore life companies is strongly criticised by Robin Kiln, chairman of Lloyd's Life Assurance, in his annual statement accompanying the 1982/83 report and accounts.

Mr Kiln accepts that the Government's aim is to stop the so-called off-shore roll-up funds. But he is concerned that the proposed legislation could well change the fundamental position for expatriates when they return to the U.S. and he doubts the Government's stated intention to protect the genuine expatriate.

The company's offshore operation in the Isle of Man—*Lloyd's Life Assurance (Isle of Man)*—had operated within the clearly defined tax environment for expatriates and had never sold policies to UK residents. He told shareholders that this sort of ill-defined tax change implemented without warning made the task of running a responsible business very difficult.

A surplus of £2m was achieved in the year to September 30 1983 compared with £1.5m in the previous year. The company is carrying forward a surplus of £6.4m in the life fund. The combined value of policyholders' funds has risen over the year from £159m to £228m. The value of the company's shares rose from £8.25 to £9.50.

Premium income rose by more than 40 per cent from £56.3m to £79.6m, while gross investment income climbed over 20 per cent *from £12.8m to £15.5m. Claim* payments were up nearly 80 per cent from £15.1m to £27.1m—with surrender payments more than doubling from £9.9m to £20.5m.

Shires Investment £2m placing

UK INSTITUTIONS and clients of Laing and Cruickshank have subscribed a total £2m cash for 1,087,343 new ordinary 50p shares in Shires Investment.

Subscription price per share was 183.85p, equal to the net asset value attributable to each existing ordinary on February 13.

The share placing has increased the funds available for investment by Stanecastle Assets, the new investment manager of Shires, by some 40 per cent.

Shires has also made a scrip issue of 500,000 warrants to shareholders on the register on February 10 on the basis of one warrant for every five ordinary shares held.

Each warrant will carry the right to subscribe for one new ordinary share in Shires at a price of 182p per share during the years 1985 to 1993 inclusive.

The new ordinary shares also carry an entitlement to a total of 217,568 warrants in the proportion of one warrant for every five new ordinary shares subscribed.

Dealings in the new ordinary shares and warrants will begin today.

As proposed in a letter to shareholders in January, Sir Russell Sanderson has been appointed a director of Shires and elected chairman in place of Mr C. St G. S. Clarke who has stepped down after 14 years in that post.

Mr Clarke remains on the board together with Mr R. M. Clarke. Mr J. C. Walton and Mr W. F. Forsyth have also been appointed directors. Mr M. G. Haines and Mr T. H. Hobson have resigned from the board although Mr Hobson has been appointed alternate director to Mr C. St G. S. Clarke and Mr R. M. Clarke.

Sir Russell pointed out that Shires had maintained a very high dividend yield as its main objective for many years and said he was determined to maintain and enhance its dividend policy.

COMPANY NEWS IN BRIEF

At the close of business on February 17 last, net asset value per 5p ordinary share of the **Winterbottom Energy Trust** totalled 90.9p after prior charges *at par. After prior charges at* market value the figure emerged at 93p.

* * *

The net asset value attributable to the ordinary and "B" shares of **English & Scottish Investors** has risen from 111.8p to 157.8p in the 12 months ended January 31 1984. At the end of July 1983, it had reached 145.1p. Prior charges have been taken at par in the calculations.

For the year 1983-84 gross revenue showed an increase of £310,000 to £2.03m, while the net figure was up from £1.24m to £1.35m after tax of £451,495 (£431,214).

Per share, earnings come out at 2.17p (1.96p), and the dividend is lifted from 2p to 2.1p net with a second interim of 1.35p. On the "B" shares, *holders receive an unchanged* rate of 0.04375p and a scrip issue of 8,287 shares distributed on the basis of 1.30352 new for every 100 held.

* * *

Net asset value per 25p share increased from 145p to 181.4p after prior charges at par at **Scottish Eastern Investment Trust** for the year to the end of January 1984. At the end of last July the figure came to 166.7p.

Net asset value for the year after prior charges at market value came to 183p (147.7p).

Earnings per share were reduced from 3.38p to 2.91p. The net final dividend has been held at 1.85p which keeps the year's total at 3.35p.

Gross revenue rose from £6.97m to £7.9m.

* * *

At the annual meeting of **Guinness Peat Group**, Lord Croham, chairman, told members that the first half of the current year was comfortably ahead, and *that profits for the period* were expected to reflect this trend.

He added that it remained the board's expectation that an interim dividend would be declared in May. Second half results were expected to be higher than those of the first.

Out of the 17 months period ended September 30 1983, the group incurred £3.33m during the first six months.

SHARE STAKES

Bespak — Mr W. E. Warren, a director, has disposed of 50,000 ordinary at 288p each.

H. C. James — *Mr J. E. Aisher* has sold 30,000 beneficial ordinary.

S. & W. Berisford — Mr W. I. Hubert, a director and trustee, has disposed of 25,000 ordinary.

Mercantile House Holdings — Mr M. A. Knowles, a director, has sold 10,000 shares.

F. & C. Enterprise Trust — *Sun Life Assurance* has acquired 795,000 ordinary, lifting its total holding to 8,258,310 (9.50 per cent).

J. Saville Gordon — Mr J. E. Willetts, a director, and his wife, have disposed of 143,948 ordinary to adult members of their family. Mr Willett's beneficial holding is now 357,282 shares. In addition, Mr Willetts has transferred 86,956 shares to his wife. This transfer has not affected his *beneficial holding.*

Norfolk Capital Group — Kennedy Brookes Finance, a wholly-owned subsidiary of Kennedy Brookes, has acquired a further 125,000 ordinary in addition to the 900,000 shares in Norfolk Capital Hotels acquired on February 3. Three directors of Kennedy Brookes also acquired 150,000 shares in Norfolk Capital Hotels on February 3 and other parties acting in concert acquired 200,000 shares.

Montagu Boston Investment Trust—as a result of the purchase of 500,000 ordinary shares on February 15 Drayton Consolidated Trust is beneficial owner of 3,649,670 ordinary shares (26.4 per cent).

Standard Fireworks—St Andrew Trust now has an interest in 210,000 ordinary shares (approximately 5.6 per cent).

Eastern Produce (Holdings)—Lawrie Group acquired 93,000 shares, and now holds 1,891,506 (18.01 per cent).

Hollas—Jacques Sultan, director, and his wife, have each disposed of 100,000 ordinary shares.

Hampson—C. J. Clayton, a director, purchased 15,000 ordinary shares and J. L. Cutler, a director, purchased 30,000 ordinary shares. Also S. J. Hardie, company secretary, purchased 5,000 ordinary shares.

Reliant Motor—Mintinix has acquired a further 25,000 shares, bringing its total holding to 550,000 (9.93 per cent).

Harvey and Thompson—Matherwood has acquired a further 10,500 shares bringing *its total holding to 170,000 (5.41* per cent).

Racal Electronic—Sir Ernest Harrison, chairman, sold 50,000 ordinary shares at 192p on February 8.

F. H. Tomkins—G. F. Hutchings, a director, Simon and County Bank are interested in 7,222,225 ordinary shares.

Estates Property Investment Co—As at February 16 Clabir *International NV, a wholly*-owned subsidiary of Clabir Corp. was interested in 4,087,500 ordinary shares (21.39 per cent). Henry D. Clarke Jnr, is interested in the same 4,087,500 shares.

Camford Engineering — Omes-Falconer has acquired 1,025,000 ordinary shares (5.667 per cent).

Gerrard and National — The Kuwait Investment Office has acquired 60,000 ordinary shares thereby increasing holding to *2,475,000 shares* (8.3 per cent).

Kellock Trust—The company purchased 34,000 of its variable rate convertible preference shares on February 14 at an average price of 24.37p per share and 25,000 on February 16 at 24p per share, for cancellation.

Danae Investment Trust—The trustees of Leinster Private Hire Co Pension Scheme now holds 1,400,440 capital shares (20 per cent).

Emray—Rosano AG has ceased to be interested in the holding of 2,186,000 ordinary shares.

London & Gartmore

As a result of increased borrowings, **London & Gartmore Investment Trust** ran up a net taxed loss of £1,409 for the half year ended December 31 1983, compared with a net profit of £6,454 in the corresponding period of the previous year. In yesterday's report, the figures were inadvertently given as £1.41m and £6.45m.

Over-the-Counter Market

1983-84 High	1983-84 Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
142	120	Ass. Brit. Ind. Ord. ...	125	—	6.4	5.1	7.3	9.6
158	117	Ass. Brit. Ind. CULS...	138	− 1	10.0	7.2	—	—
78	62	Airsprung Group	73	—	6.1	8.4	20.9	20.9
38	21	Armitage & Rhodes......	27	—	—	—	—	—
319	141½	Bardon Hill	319	—	7.2	2.3	13.0	26.6
58	53	Bray Technologies	58	—	2.7	4.7	10.5	11.4
200	197	CCL Ordinary	197	—	5.0	2.5	4.5	6.3
151	121	CCL 11pc Conv. Pref....	147	—	15.7	10.7	—	—
347	100	Carborundum Abrasives	347	—	5.7	1.6	—	—
249	100	Cindico Group	103	—	17.6	17.0	—	—
63	45	Deborah Services	57	—	6.0	10.5	30.5	40.6
199	75	Frank Horsell	199	—	—	—	8.3	13.7
186	76½	Frank Horsell Pr Ord 87	186	—	8.7	4.7	7.8	12.8
68	38	Frederick Parker	38	—	7.1	19.7	2.3	3.6
39	32	George Blair	35	—	—	—	—	—
80	46	Ind. Precision Castings	48	—	7.3	15.2	13.3	16.6
249	134	Isis Conv. Pref.	249	—	17.1	6.9	—	—
121	61	Jackson Group	119	− 1	4.5	3.8	0.2	12.2
242	169	James Burrough	238	—	11.4	4.8	13.1	13.6
345	275	Minihouse Holding NV	337	—	4.0	1.2	26.4	30.9
176	108	Robert Jenkins	108	—	20.0	18.5	12.6	8.4
74	60	Scruttons "A"	60	—	5.7	9.5	10.0	7.2
120	64	Torday & Carlisle	64	—	2.9	4.5	—	—
440	385	Trevian Holdings	439	—	—	—	9.0	8.2
26	17	Unilock Holdings	18	—	1.0	5.5	11.8	17.1
92	65	Walter Alexander	81	− 1	6.8	7.5	6.0	10.6
276	236	W. S. Yeates	236	—	17.1	7.2	3.7	7.5

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MINING NEWS

Denison expects further growth

BY KENNETH MARSTON, MINING EDITOR

CANADA'S Denison Mines expects to earn more this year after having boosted 1983 net income to C$101.5m (£56.1m) from C$80.6m in 1982, thanks to the growing contribution from oil and gas. The confident forecast for 1984 was made at the Toronto meeting by Mr Stephen B. Roman, the energy group's chairman.

Looking further ahead, he predicted that 1986 revenue would reach between C$2.5bn and C$3bn compared with C$676.1m last year.

He noted that increased revenue would come from the big new 50 per cent-owned Quintette coal project, potash in New Brunswick, Denison's 10 per cent interest in the Sicilian Vega oilfield and two commercial oil discoveries in Egypt.

Mr Roman added that the first year's revenue from the Egyptian field would probably exceed C$100m, but development of the field is being held up pending the outcome of arbitration on a dispute between Denison and Egyptian General Petroleum Corporation over whether one of the two leases has expired.

Denison's president, Mr Clifford Frame, told the meeting that "we are very hopeful that these difficulties will be resolved soon."

There has been speculation that the new Quintette mine would be forced to renegotiate its coal supply contracts with Japanese customers.

Mr Roman, however, reiterated that there would be no renegotiation either on price or quantity. Its production may be behind schedule in the first part of this year but this should be made good by the end of the year.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Fleming Enterprise Investment Trust, United Real Property Trust.

Finals: Adams and Gibbon, Aidcom International, Aquis Securities, Child Health Research Investment Trust, Fleming American Investment Trust, Ernest Jones (Jewellers), Ladies Pride, Metal Bulletin.

FUTURE DATES

Interims:

Consolidated Plantations ... Mar 1
Cope Allman International ... Feb 29
FII ... Feb 27
Lister ... Feb 24
Marine Adventure Sailing Tst ... May 3
Raine Industries ... Feb 28

Finals:

Beoro Industries ... Mar 22
Blagden Industries ... Feb 28
Marley ... Feb 29
Ransomes Sims & Jefferies ... Mar 5

Greenwich Resources discovers two gold-bearing reefs in Sudan

SOME rich gold values have been obtained by Greenwich Resources in a new discovery in the Sudan. At Jebel Negeim, some 500 km north of Khartoum, two gold bearing reefs have been located at old mineworkings which are stated to have an ore potential of 5,000 tonnes per vertical metre over a strike length (lateral direction) of 1.55 km.

Gold values from 18 samples have ranged up to a high 260 grammes per tonne from only 0.3 grammes. An average weighted gold grade of 25 grammes over a vein width (thickness) of 0.73m is indicated for the complete 65m strike length (lateral direction) of the adit (mine entrance). Three other samples taken southwards from the adit gave a weighted average of 88.73 grammes over an 18m length.

Mr Stanley Eskell, managing director of Greenwich, said that the new discovery "should greatly increase our gold reserves in the Sudan. The news comes just two weeks after commencing underground mining activities at our Gebeit gold mines in the Red Sea Hills."

The Vancouver-based Greenwich is 15 per cent-owned by the Robertson Research international oil and mining consultancy group and is the latter's new mining exploration and development arm. News of the latest discovery lifted the price of Greenwich shares by 15p to 180p in London yesterday.

Utah profit better than expected

THE DEVALUATION of the Australian dollar last March helped Utah Development to maintain profits in 1983, in spite of forecasts earlier in the year of a decline.

Net profits of Australia's largest producer of coking coal were A$148.9m (£97m), compared with A$146.5m in 1982. The company said that profits would have been A$30m lower but for the currency changes, as Utah's sales contracts are priced in U.S. dollars.

Contracts involving the delivery of 1.4m tonnes of coal to new markets in Hong Kong, Turkey, Algeria and Yugoslavia also helped the company to maintain the level of profits. Japan remained Utah's biggest single customer.

Coal shipments last year rose by 8.4 per cent to a total of 18.3m tonnes, but were still 4m tonnes below the company's capacity.

There is likely to be little change in the current year because of the continuing world oversupply of coking coal, estimated at some 20m tonnes by the end of 1984. As a result, pressure on prices will continue, Utah said.

Last year's sales revenue from coal and Utah's one-third interest in the Mount Goldsworthy iron ore project was A$958.2m, up from A$878.6m the year before.

Utah paid annual dividends totalling A$123.8m to its parent company Utah International, which is owned by General Electric of the U.S., and A$15m to Umal Consolidated, the Australian company which owns 10.8 per cent of the coal producer.

Australia's Broken Hill Proprietary (BHP) is in the process of acquiring Utah International from General Electric.

Umal Consolidated has reported net profits for the half-year to December of A$12.16m, up from A$10.79m.

Earnings are shown as 11.09 cents a share, compared with 10.15 cents, and the interim dividend is maintained at 7 cents.

MINING NEWS IN BRIEF

SOUTH AFRICA's gold production, which last year continued the upturn begun in 1982, has shown a further advance in the first month of 1984, according to the latest figures released by the Chamber of Mines.

The January figure is 1,756,876 ozs, an increase of 35,308 ozs on the December total of 1,721,568 ozs. The latest figure is, however, a little lower than the 1,767,216 ozs produced in January last year.

* * *

Canada's Orofino Resources, part of the Northgate Exploration group, is working on revised reserve calculations for its Orofino gold property in the Swayze gold belt, 100 kms south-west of Timmins, Ontario.

Recent drilling has confirmed the presence of between 200,000 and 250,000 tons of higher-grade ore close to the old underground workings. Previously, the deposit had been thought to contain 825,000 tons at an average grade of 0.17 ozs (5.3 grammes) of gold per ton.

New feasibility studies are now in progress, and Mr Patrick Hughes, chairman of both Orofino and Northgate, writes in the latest annual report that the additional reserves could be sufficient to support a first-phase mining operation to exploit the higher-grade areas, using either the existing shaft or a decline, to be followed later by development further below the surface.

Drilling is also continuing at three other gold prospects in north-western Ontario.

* * *

The Government of Queensland has approved the development of a 1.4bn tonne coal field at Ensham, near the town of Emerald, by a consortium of seven international companies. Development is expected to take three years, with production to start in 1987 at a cost of A$300m (£200m).

News agency reports quote Mr Ivan Gibbs, the state's Minister of Mines and Energy, as saying that South Korea is expected to take much of the coal, which is suitable for power generation.

The members of the consortium are Bligh Coal and Idemitsu Queensland with 22.5 per cent each, Allied Queensland Coal Field, Pacific Coal and Agip Coal Australia each with 15 per cent, and Rheinbraun Australia and Lucky Gold Star of South Korea each with 5 per cent.

* * *

The junior Australian exploration company Balmoral Resources has reported some encouraging gold grades from the Great Western gold mine north-east of Leonora in Western Australia.

An internal shaft below the No 4 level of the old mine has encountered grades up to 920 grammes of gold per tonne, with an average value of 366 grammes, the company said.

Notice of Redemption

Corning International Corporation

8½% Guaranteed Sinking Fund Debentures Due March 15, 1986

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of March 15, 1971, under which the above designated Debentures are issued, $2,233,000 aggregate principal amount of such Debentures of the following distinctive numbers has been drawn by lot for redemption on March 15, 1984 (herein sometimes referred to as the redemption date) through the operation of the Sinking Fund at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption:

Debentures in coupon form of $1,000 denomination and bearing the following distinctive numbers with Prefix Letter M:

1	3167	4573	8378	9252	9995	11031	13268	13704	14280	14766	15692	16029	16590	16903	17155	17485	18037	18292	18599	18875	19101	19467	19813
15	3168	4575	8381	9253	9996	11033	13271	13708	14282	14769	15693	16031	16591	16907	17158	17486	18040	18294	18601	18878	19103	19469	19815
17	3267	4576	8382	9259	9997	11304	13279	13710	14284	14775	15703	16042	16592	16911	17159	17488	18041	18318	18602	18879	19107	19474	19816
24	3269	4736	8383	9267	10006	11331	13297	13711	14269	14776	15714	16044	16594	16912	17160	17489	18042	18321	18603	18886	19108	19478	19820
25	3285	4737	8384	9269	10010	11344	13296	13712	14271	14828	15715	16045	16597	16915	17165	17490	18043	18324	18607	18893	19111	19480	19821
26	3288	4738	8400	9271	10012	11368	13299	13713	14276	14829	15718	16046	16601	16917	17169	17492	18044	18325	18608	18894	19112	19481	19823
27	3290	5081	8403	9273	10014	11508	13303	13714	14282	14830	15743	16049	16607	16922	17171	17494	18045	18326	18615	18895	19115	19483	19824
29	3557	5207	8408	9274	10019	11560	13306	13720	14283	14831	15745	16060	16616	16925	17173	17496	18047	18334	18619	18896	19116	19494	19829
31	3569	5211	8412	9276	10024	11561	13311	13721	14284	14832	15747	16063	16620	16927	17174	17501	18048	18339	18620	18898	19117	19495	19833
32	3571	5215	8413	9278	10025	11563	13312	13727	14286	14838	15748	16067	16621	16929	17179	17527	18049	18341	18621	18899	19118	19507	19834
50	3572	5226	8414	9279	10027	11565	13313	13729	14288	14843	15752	16077	16631	16930	17180	17528	18051	18345	18622	18900	19119	19511	19835
69	3573	5227	8415	9280	10029	11566	13315	13730	14296	14844	15753	16079	16633	16931	17190	17530	18057	18349	18624	18901	19120	19515	19836
79	3600	5228	8416	9281	10032	11572	13317	13732	14298	14848	15757	16066	16634	16934	17247	17596	18061	18351	18635	18902	19121	19520	19839
[illegible]																							
2886	4524	8104	9145	9948	10948	13125	13672	14101	14732	15582	15982	16565	16872	17129	17452	17990	18254	18570	18831	19056	19360	19738	
2858	4525	8106	9203	9949	10953	13126	13673	14219	14734	15583	15987	16566	16873	17130	17453	17998	18255	18571	18836	19057	19361	19740	
2915	4526	8109	9204	9950	10973	13128	13674	14220	14735	15585	15990	16567	16874	17132	17455	17999	18261	18572	18839	19065	19364	19746	
3067	4527	8118	9205	9953	10974	13129	13675	14221	14740	15586	15992	16569	16875	17133	17456	18009	18264	18578	18840	19068	19431	19754	
3068	4528	8219	9209	9964	10975	13187	13676	14223	14742	15587	15993	16571	16876	17134	17458	18010	18265	18580	18841	19070	19433	19755	
3146	4529	8230	9211	9967	10977	13202	13678	14230	14744	15588	15996	16572	16881	17135	17459	18016	18266	18581	18843	19072	19434	19756	
3147	4536	8238	9235	9968	10979	13203	13684	14233	14745	15590	15998	16575	16882	17136	17460	18017	18268	18582	18844	19073	19446	19757	
3149	4539	8266	9238	9969	10980	13238	13686	14234	14746	15591	16000	16576	16884	17137	17462	18019	18269	18583	18846	19078	19453	19759	
3153	4549	8367	9240	9970	10982	13247	13687	14235	14747	15593	16001	16577	16887	17138	17467	18025	18270	18584	18847	19079	19455	19760	
3154	4555	8369	9241	9972	10983	13258	13688	14237	14748	15594	16003	16578	16888	17139	17469	18027	18271	18585	18848	19081	19456	19763	
3155	4564	8370	9243	9975	10985	13259	13689	14238	14749	15642	16004	16579	16890	17141	17470	18030	18272	18587	18849	19083	19457	19764	
3156	4565	8371	9244	9976	11004	13262	13691	14254	14750	15646	16005	16582	16893	17145	17479	18031	18277	18588	18850	19088	19458	19765	
3159	4566	8372	9245	9985	11006	13263	13697	14255	14752	15647	16006	16585	16898	17147	17480	18034	18281	18592	18855	19090	19459	19769	
3161	4567	8376	9247	9991	11009	13266	13699	14256	14755	15648	16012	16586	16901	17149	17481	18035	18287	18594	18861	19093	19461	19776	
3163	4572	8377	9250	9994	11030	13267	13700	14259	14761	15691	16017	16587	16902	17154	17483	18036	18288	18596	18873	19097	19463	19807	

The Debentures specified above are to be redeemed for the said Sinking Fund at the option of the holder (a) at the **Receive and Deliver Windows of Citibank, N.A.**, Trustee under the Indenture referred to above, **111 Wall Street — 5th floor, New York, New York 10043** or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in **Amsterdam, Brussels, Frankfurt (Main), London (Citibank House), Milan,** and **Paris** and the main office of **Citibank (Luxembourg), S.A.** in Luxembourg, the Company's Paying Agents. Payment at the offices referred to in (b) above will be made by check drawn on, or transfer to a U. S. dollar account maintained by the Holder with, a bank in the The City of New York. On the Redemption Date such Debentures shall become due and payable at the Redemption Price and on and after such date, interest on the said Debentures will cease to accrue and the coupons for such interest shall be void.

The Debentures specified above should be presented and surrendered at the offices set forth in the preceding paragraph on the said date together with all interest coupons maturing subsequent to the Redemption Date.

Coupons due March 15, 1984 should be detached and presented for payment in the usual manner.

Corning International Corporation
By: CITIBANK, N.A., as Trustee

February 15, 1984

BIDS AND DEALS

Marston emerges as Border suitor

By Charles Batchelor

Marston Thompson & Evershed, a Burton-on-Trent brewer, emerged yesterday as the mystery suitor for Border Breweries (Wrexham) with an announcement that it had built up an 8.19 per cent holding.

Marston has the tacit consent of Whitbread, the large London brewer with 35 per cent of Marston's equity, for a bid for Border. Talks between Border and Marston, which were announced last week, are still continuing.

Border's shares rose a further 16p to 208p yesterday valuing the company at £11.2m. Marston's shares firmed 3p to 59p.

The announcement that Border was discussing a bid prompted another regional group, Forshaws Burtonwood Brewery of Warrington, to put in a £9.4m cash bid for Border last Friday.

Marston bought 405,000 Border shares at 202½p and 15,000 shares at 200p to take its stake, including shares already held, to 440,000 shares, or 8.19 per cent of the Border equity, Robert Fleming, merchant bank adviser to Marston, said.

Whitbread has holdings in both Marston (35 per cent) and Border where it owns 19.6 per cent. It has used its holdings in the past to defnd the independence of regional brewers and normally backs the views of the existing management.

Marston, which brews Pedigree Pale Ale and Owd Rodger Strong Ale, increased its pre-tax profit to £3.87m in the six months ended September 30 1983 from £3.55m on turover of £24.56m, up from £23.43m.

Brockhouse close to its borrowing limits

BY DAVID DODWELL

Brockhouse, the engineering transport, building and materials handling equipment manufacturer which has agreed a £5m subscription for shares from Mr Swraj Paul's Caparo Industries, told shareholders yesterday that it was close to its borrowing limits, faced continuing losses, and had been warned by its bankers that support would be withdrawn unless a refinancing deal was arranged.

At the same time, Caparo Industries, whose main activities include steel stockholding, tubing and foundries, engineering, and the sale of forklift trucks, has warned that in the wake of the subscription, which would give Caparo control of Brockhouse, shareholders should expect "significant provisions and write offs" linked with disposals and company reorganisation.

Caparo is proposing to subscribe a total of £5m for 20m new Brockhouse shares of 25p each, at par. Caparo already holds 17.4 per cent of Brockhouse's shares, and the deal would boost its stake to a controlling 61.7 per cent.

If shareholders of both companies accept the deal, Mr Reg Parkes, will stand down as chairman and managing director of Brockhouse, and be replaced by Mr Paul as chairman, and Mr James Leek as chief executive. Mr Leek is chief executive at Caparo.

Brockhouse's financial advisers conceded yesterday: "Both from the directors' and shareholders' point of view, this proposal is by no means the most desirable that could have been hoped for—but it is the only proposal on the table, and faut de mieux, we have decided to recommend it."

Brockhouse said it had received approaches from other parties "but, to date, none has resulted in a firm proposal."

Last week it was learned that Oceanside Investments, an overseas holding company representing various Arab interests, had acquired a 7.75 per cent stake in Brockhouse. On the back of Oceanside's buying, Brockhouse shares rose at one point to 45p. But in the wake of yesterday's announcements, the price slumped to 39½p, for a loss of 7½p on the day.

It is understood that six of Brockhouse's seven UK subsidiaries currently making losses. In the year to September 30, 1983, the group reported a loss on ordinary activities of £1.79m—and losses may stretch to £2.9m for the current year.

Mr Parkes insisted that Brockhouse's borrowing limits of £16.4m had not yet been breached. On January 31, total borrowings stood at £15.1m, he reported: "It was recognised that the losses incurred in certain of the group's UK businesses could no longer be sustained in the absence of clear indications of a recovery in their markets.

"With the worsening cash position in the first quarter of the current financial year, borrowings were likely to exceed available facilities, and remain above them for most of 1984," he said.

Caparo reported that its aim would be to reduce current borrowing levels at Brockhouse, and eliminate losses: "There may never be a market improvement for certain of Brockhouse's activities and there can be no justification for retaining high working capital and overheads whilst waiting for a recovery that may never come," Mr Paul told shareholders.

"It is essential that realistic decisions are now faced and taken to secure a viable future for the greater part of Brockhouse and its employees."

Mr Paul said later: "I think the company faces two to three years of losses, but profits can be achieved after that."

As part of the deal Caparo would receive a £300,000 a year management fee until March 31 1987. Its interest in Brockhouse will "initially be treated as an investment," and the two companies accounts will not be consolidated until the reorganisation of Brockhouse is complete.

Caparo itself forecast a "substantial increase" in profits in the financial year to December 31 1983. Pre-tax profits in 1982 were £1.22m. It also forecast an increase in its dividend, which stood at 1.25p a year ago. Caparo's shares improved by 1½p to end yesterday at 42p.

Bid findings delayed by upturn in stock values

By Ray Maughan

Mr Norman Tebbit, Secretary of State for Trade and Industry has received the findings of the Monopolies Commission into the proposed merger between Trafalgar House and Peninsular & Oriental Steam Navigation. The Minister has also received the results of the Monopolies Commission examination of the bid for Steetley, the building materials, minerals and refractories group, from Hepworth Ceramic. The Ministry is expected to publish the findings on this merger later this week.

In both cases, the Monopolies Commission has asked for further additional time in which to investigate and the scale of national economic recovery, mirrored by the upturn in stock market values, has lifted the terms of each original bid substantially.

The decision on the P & O bid is not expected for another three-four weeks but the stock market is already anticipating an increase in Trafalgar's bid, if allowed. The terms were first set at five Trafalgar shares for every four P & O stock units. At current prices, the first offer would have been worth £370m, up by about £80m, or 260p per stock unit. The market price is now 277p.

Earlier expectations that Hepworth would be allowed to proceed with a new offer for Steetley were unsettled yesterday as Steetley's share price dropped 7p to 253p and Hepworth added 5p to 141p. But even after this correction, Steetley is still well ahead of the original terms which would have valued the group at £123.2m or 201.4p per share.

Cannon sale may yield £40m

BY RAY MAUGHAN

Cannon Assurance is up for sale again. The Cascade Group of Alberta, Calgary, will be looking for a price of at least £40m, and perhaps £50m, when the unit linked life assurance group is finally sold to one of the 50 or so potential buyers known to be interested.

Keyser Ullmann, the merchant bank later acquired by Charterhouse Group, sold Cannon to Cascade, headed by Mr Alan Graham, for £9.6m in cash in March four years ago. Now, however, Mr Graham is planning to concentrate his activities in his native Canada and has already contacted some 160 potentially interested buyers in North America, Europe and the Far East.

Detailed information has been given to about 50 companies which have been asked to submit offers by March. A short list will then be drawn up and Citicorp International, advising on the sale, expects to be entertaining competitive bids by the end of that month.

Cannon, originally known as International Life Insurance (UK) was once the British arm of Mr Bernie Cornfeld's International Overseas Services but protracted litigation by the liquidators of IOS followed the acquisition by KU in 1972.

Cannon's present board, headed by Mr Alfred Singer, now "want to be part of a really committed business," according to Citicorp although no proposals have been received for any form of management buy-out.

The asking price, Citicorp believes, is underpinned by the earnings multiples commanded by other unit-linked businesses, notably Crusader, which have recently come on the market and the implied multiples of net worth. Cascade is therefore hoping for a ceiling of £50m based on a 25 times multiple of £2m attributable profits and a five times multiple of net asset values it will be revealing in the balance sheet.

Cannon's premium income has been accelerating in recent years and the advent of MIRAS business coupled with the chance that portable pensions, if introduced, will enhance the sales of unit linked policies are expected to swell the lists of serious bid candidates. The U.S. financial services industry may well bring forward the eventual buyer.

Fisons buys seeds company from Shell Holdings

BY DAVID DODWELL

Fisons, the health care and agriculture group, has acquired the seeds business of Temana Bees, a subsidiary of Shell Holdings UK, in a cash deal worth in the region of £3m.

Fisons will pay £1.35m for the company, which sells seeds in the UK under the brand names "Bees" and "Webbs," and at the same time take responsibility for inter-group debts which will lift the total consideration to about £3m.

"Bees" seeds are the leading brand in High Street shops in the UK, while "Webbs" seeds are sold primarily through gardening shops and garden centres.

Fisons has extensive interests in horticulture, manufacturing a wide range of composts and other gardening products. Until this deal, it had no involvement in seeds packaging or distribution.

Mr John Kerridge, Fisons' chief executive, yesterday described the seeds market as "an obvious area of expansion" for the group. The integration of the seeds business with the consumer products business of Fisons Horticulture division "will lead to increased efficiency in the overall operation," the group said.

Shell disclosed yesterday that it had also sold to Mr Terry Kenright, the current managing director of Temana Bees, the assets of a nursery business that was until now atached to the seeds distribution business. The terms of this management buy-out were not disclosed.

BIDS AND DEALS IN BRIEF

ICC Oil Services has completed the vendor placing of 6,260,923 shares to raise part of the purchase consideration of Jenkins & Davies. The placing is conditional only upon the completion of the acquisition and the granting of permission to deal in the consideration shares on the USM.

Pritchard Services Group subsidiaries have agreed to purchase 3,843,338 of the consideration shares and after completion of the Jenkins & Davies acquisition Pritchard will continue to hold 49 per cent of the company's enlarged share capital and as a result will be able to increase its overall shareholding without incurring an obligation to make a general offer.

* * *

The Hartons Group is making its initial move into Europe with the acquisition of a 50 per cent interest in the French-based distribution company, Auxiglass SA. Cost of the purchase is £115,000 cash and the provision of an interest free medium term loan of some £115,000 until December 1988. There will also be the option to acquire the other 50 per cent at any time between 1986 and 1989 based on a profits formula.

Hartons, which is a member of the USM, is making the transaction through its wholly owned subsidiary, Visijar Tuckers. Until now Visijar's entire operation of distributing plastic sheet has been based in the UK. Auxiglass is a privately owned major distributor of plastic sheet, silicone sealants and ancillary products to the glazing industry.

In 1983 Auxiglass produced a pre-tax profit of some £81,000 from sales of £5m. Net assets prior to the injection of the new funds came to about £33,000.

* * *

Glacier Metal Company, a member of the AE Group, has purchased a 52,000 sq ft factory in the Queens Park district of Glasgow from the Scottish Development Agency, as part of a plant to expand its assembly bearing activities.

* * *

S. G. Warburg & Co., as an associate of Bassett Foods, has sold 20,000 Avana Group shares at 500p on behalf of discretionary investment clients.

* * *

Unitech, through its subsidiary UL America, has agreed to acquire US Components, a manufacturer of connectors for the electronic and military markets, for $3m (£2.12m) cash. As at April 30 1983 the net worth was $1.41m, though a recent property appraisal indicated that the land and buildings should be valued at $300,000 in excess of book value. Profit before tax for 1982-83 was $227,000.

US Components "will provide a sound base" in the U.S. for Unitech's component manufacturing division to develop a broad based connector business. The chief executive, who was the controlling shareholder, has signed a two-year service agreement as has the other executive director.

* * *

Further overseas acquisitions have been made by Initial, the textile rental and environmental care group. It has purchased the Canberra Steam Laundry in Australia for £533,000, and in the U.S., has purchased the trade of Bailey Coat, Apron and Linen Supply of Meridian, Connecticut for £437,000.

Additionally, in the UK two further diversifications have been achieved. The first is the establishment of a special purpose leasing company in which American Express Leasing (UK) has a 24 per cent interest. An annual rate of investment of not less than £10m is planned.

The second is the establishment of FAMS (Fleet Advisory Management Services) to provide a wide range of services covering the operational, technical, financial administrative and managerial problems associated with the running of a fleet of vehicles.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel §	9 %
Henry Ansbacher	9 %	C. Hoare & Co. †	9 %
Arbuthnot Latham	9 %	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9 %	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	9½%
Banco de Bilbao	9 %	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9 %	Edward Manson & Co.	10 %
Bank of Ireland	9 %	Meghraj and Sons Ltd.	9 %
Bank Leumi (UK) plc	9 %	Midland Bank	9 %
Bank of Cyprus	9 %	■ Morgan Grenfell	9 %
Bank of Scotland	9 %	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9 %	National Girobank	9 %
Banque du Rhone	10 %	National Westminster	9 %
Barclays Bank	9 %	Norwich Gen. Tst.	9 %
Beneficial Trust Ltd.	10 %	R. Raphael & Sons	9 %
Bremar Holdings Ltd.	9 %	P. S. Refson & Co.	9 %
Brit. Bank of Mid. East	9 %	Roxburghe Guarantee	9½%
■ Brown Shipley	9 %	Royal Trust Co. Canada	9 %
CL Bank Nederland	9 %	■ J. Henry Schroder Wagg	9 %
Canada Perm't Trust	10 %	Standard Chartered ‖	9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cayzer Ltd.	9 %	TCB	9 %
Cedar Holdings	9 %	Trustee Savings Bank	9 %
■ Charterhouse Japhet	9 %	United Bank of Kuwait	9 %
Choulartons	10½%	United Mizrahi Bank	9 %
Citibank Savings ¶	10½%	Volkskas Intnl. Ltd.	9 %
Clydesdale Bank	9 %	Westpac Banking Corp.	9 %
C. E. Coates	9½%	Whiteaway Laidlaw	9½%
Comm. Bk. of N. East	9 %	Williams & Glyn's	9 %
Consolidated Credits	9 %	Wintrust Secs. Ltd.	9 %
Co-operative Bank *	9 %	Yorkshire Bank	9 %
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%. 1-month 6%. Fixed rate 12 months £2,500 9%. £25,000. 12 months 9.5%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday February 21 1984

Spanish citrus farmers expect record harvest, Page 32

WALL STREET

Bonds in search of support

BOND markets face a difficult session on Wall Street today – in the wake of a setback on Friday afternoon. Bond prices have fallen by nearly 2½ points over the past fortnight and on Friday broke through support levels which could leave them vulnerable to a further setback, *writes Terry Byland in New York.*

The most recent fall in the bond market followed suggestions on Friday afternoon that the Federal Reserve was about to increase the discount rate in response to last week's flow of official data disclosing strong growth in the U.S. economy.

The discount rate has stood at 8½ per cent for more than a year. While the rumours of a discount rate rise died away before the close of the market, the flurry of nervousness proved enough to push the key long bond – the 12 per cent of 2013 – below par value, a level not seen since mid-December.

Credit market analysts had been watching closely as the key bond price dipped towards its par value on two occasions in the previous seven days.

Par value for the key long bond is regarded by analysts as a testing point for those pension fund and other institutional investors who bought the bond towards the end of December. If the bond price moves convincingly below 100, then is is believed that support may not re-appear until the price slips to around 98.

This nervousness over technical support levels has also been prominent in the bond futures market, where the price for the futures package dated for March delivery has been sliding since the beginning of the month.

Friday was a testing day for the March contract, which has its own support level of 69⅝: according to analysts. The contract closed at 69 19/32, and will be keenly watched at today's opening for signs of any further weakness.

The slide in the bond market was gradual earlier this month but gathered pace last week when new evidence of the upsurge in the economy resurrected fears that the Federal Reserve might tighten money policies.

The upward revision of Commerce Department growth figures for gross national product to a 4.9 per cent annual rate in the fourth quarter of last year, was quickly followed last week by the disclosure of strong growth in house building, industrial production and retail spending.

From the bond market's viewpoint, the timing of these developments was unfortunate, since they were quickly followed by a record $16.25bn Treasury funding programme spread over the range from three-year, 10 and 30-year dated securities.

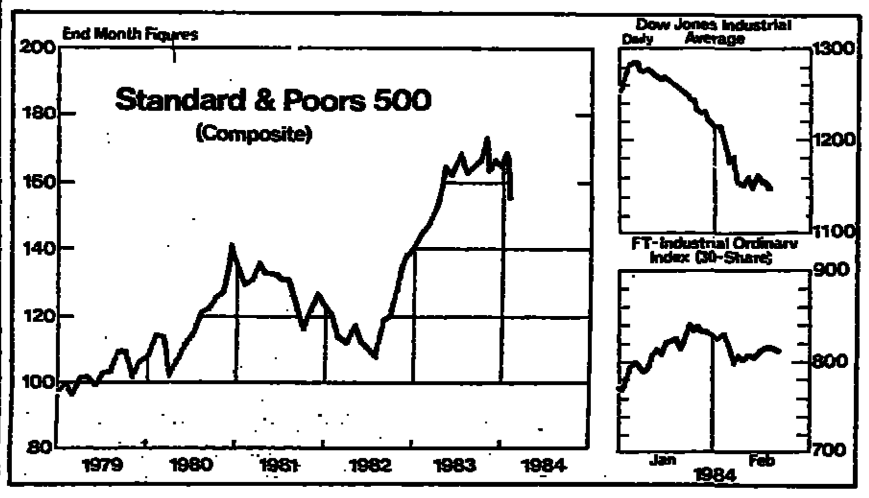
Rates began to edge higher in the market ahead of the auctions of the new Treasury issues. The sale of 30-year bonds proved difficult, and auction yields of 11.88 per cent were several basis points above market levels, despite a rise in the yield on the existing 30-year bond of six basis points between the announcement and the holding of the auction.

The weight of Treasury financing left the bond market dealers with extensive lines of stock on their books.

Thus, the technical pressures bearing down on bond prices could prove significant this week. Both the key long bond price and the March futures contract have succeeded so far in bouncing up again when their support levels were tested. But Friday saw the bond price dip through par value, with the futures contract also weak.

The market analysts will be watching keenly to see which way prices move at today's opening.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Feb 17	Previous	Year ago
DJ Industrials	1148.87	1154.94	1092.82
DJ Transport	502.31	509.06	480.70
DJ Utilities	124.66	125.24	124.12
S&P Composite	155.74	156.13	148.00
LONDON	Feb 20	Previous	Year ago
FT Ind Ord	812.50	816.20	644.60
FT-A All-share	490.66	491.99	405.33
FT-A 500	525.85	527.07	439.20
FT-A Ind	478.87	479.79	412.84
FT Gold mines	616.90	606.70	708.90
FT-A Long gilt	10.21	10.22	11.05
TOKYO			
Nikkei-Dow	9937.83	9925.07	8048.31
Tokyo SE	768.69	768.49	586.19
AUSTRALIA			
All Ord.	751.00	750.40	517.20
Metals & Mins.	519.40	520.10	467.70
AUSTRIA			
Credit Aktien	55.40	55.39	48.77
BELGIUM			
Belgian SE	141.05	141.69	106.46
CANADA			
Toronto Composite	2377.9	2383.00	2136.80
Montreal Industrials	415.96	416.49	365.25
Combined	400.96	401.36	354.04
DENMARK			
Copenhagen SE	204.57	207.06	111.18
FRANCE			
CAC Gen	n/a	156.60	104.80
Ind Tendance	102.50	103.10	109.40
WEST GERMANY			
FAZ-Aktien	356.89	357.60	262.46
Commerzbank	1051.00	1056.80	787.90
HONG KONG			
Hang Seng	1072.81	1094.87	990.35
ITALY			
Banca Comm.	220.36	219.37	199.55
NETHERLANDS			
ANP-CBS Gen	161.80	161.30	111.30
ANP-CBS Ind	132.80	132.50	97.20
NORWAY			
Oslo SE	236.00	236.29	151.90
SINGAPORE			
Straits Times	1022.34	1037.13	816.69
SOUTH AFRICA			
Golds	n/a	915.40	968.50
Industrials	968.50	969.30	851.80
SPAIN			
Madrid SE	closed	117.07	103.40
SWEDEN			
J & P	1563.08	1547.23	1195.49
SWITZERLAND			
Swiss Bank Ind	373.80	371.50	310.30
WORLD	Feb 17	Prev	Year ago
Capital Int'l	179.90	180.00	161.80

GOLD (per ounce)

	Feb 20	Prev
London	$385.45	$383.25
Frankfurt	$385.75	$382.25
Zurich	$385.50	$382.25
Paris (fixing)	$384.50	$382.37
Luxembourg (fixing)	$384.25	n/a
New York (Feb)	closed *	$384.70

* Latest available figure
* Latest available figure † Feb 17

CURRENCIES

(London)	U.S. DOLLAR Feb 20	Previous	STERLING Feb 20	Previous
$	—	—	1.445	1.4505
DM	2.6865	2.6815	3.8875	3.8925
Yen	233.4	233.1	337.75	338.5
FFr	8.2825	8.255	11.9725	11.97
SwFr	2.208	2.194	3.1925	3.185
Guilder	3.029	3.025	4.3825	4.39
Lira	1662.75	1658.5	2404	2405
BFr	55.01	54.96	79.55	79.7
C$	1.24825	1.24725	1.805	1.809

INTEREST RATES

Euro-currencies (3-month offered rate)	Feb 20	Prev
£	9 7/16	9 7/16
SwFr	3 9/16	3 9/16
DM	5⅞	5 13/16
FFr	15½	15½
FT London Interbank fixing (offered rate)		
3-month U.S.$	10 3/16	10⅛
6-month U.S.$	10 5/16	10¼
U.S. Fed Funds	9⅞ †	9⅝
U.S. 3-month CDs	9.65 †	9.55
U.S. 3-month T-bills	9.15 †	9.08

U.S. BONDS

Treasury		Feb 17* Price	Yield	Prev Price	Yield
10%	1986	99 20/32	10.84	99 24/32	10.76
11⅛	1991	99 27/32	11.79	100 4/32	11.73
11.75	1993	99 9/32	11.89	99 16/32	11.83
12	2013	99 28/32	12.01	100 15/32	11.94
Corporate		Feb 17 Price	Yield	Prev Price	Yield
AT & T					
10⅜	June 1990	94⅛	11.70	94⅛	11.70
3⅞	July 1990	68⅝	10.80	68⅝	10.80
8¾	May 2000	75¾	12.20	75¾	12.20
Xerox					
10⅞	March 1993	92¾	11.95	92¾	11.95
Diamond Shamrock					
10⅝	May 1993	91⅝	12.15	91⅝	12.15
Federated Dept Stores					
10⅞	May 2013	87½	12.20	87½	12.20
Abbot Lab					
11.80	Feb 2013	96⅞	12.20	96⅞	12.20
Alcoa					
12¼	Dec 2012	96⅞	12.65	96⅞	12.65

FINANCIAL FUTURES

CHICAGO	Feb 17	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69-30	70-04	69-26	70-01
U.S. Treasury Bills (IMM) $1m points of 100%				
March	90.90	90.92	90.88	90.92
Certificates of Deposit (IMM) $1m points of 100%				
March	90.31	90.43	90.29	90.32
LONDON	Feb 20	High	Low	Prev
Three-month Eurodollar $1m points of 100%				
March	90.02	90.05	90.02	90.07
20-year Notional Gilt £50,000 32nds of 100%				
March	108-23	109-26	108-11	108-28

COMMODITIES

(London)	Feb 20	Prev
Silver (spot fixing)	631.60p	625.45p
Copper (cash)	£1003.75	£ 999.00
Coffee (March)	£2064.50	£2061.00
Oil (spot Arabian light)	$28.45	$28.45

LONDON

Pessimism returns to the surface

RENEWED pessimism over short-term U.S. interest rate trends caused London equity markets to enter the final leg of the current trading account in uncertain mood yesterday. Investors again chose to ignore blue-chip industrials in favour of speculative issues or likely recovery-linked stocks.

Prices drifted steadily in thin trading and the FT Industrial Ordinary share index, down 4.6 at 3pm, closed 3.7 off at 812.5. Similarly the new FTSE 100-share index settled 3.6 lower at 1,035.4 after being 4.8 off at one stage.

A marked reluctance to commit funds of any size ahead of market bellwether ICI's preliminary statement on Thursday was evident

Details, Page 27; Share information service, Pages 28-29

From today, the FT Government Securities index is replaced in the market monitors panel by the FT-Actuaries long gilt yield index for high-coupon stocks, which allows a greater degree of comparability with the yield on the bellwether U.S. 30-year Treasury bond. Both will still appear on the London Stock Exchange page.

U.S. markets were closed yesterday for the Washington's Birthday holiday.

AUSTRALIA

THE LACK of institutional, particularly American, investors blunted market enthusiasm in Sydney which had been fuelled by reports, confirmed after the close, that Mr Robert Holmes à Court, via Bell Resources, was bidding for 16m shares of BHP. Bell finished 30 cents up at A$6.30, while BHP added 15 cents to A$13.90 against the A$15 offer price, and the All Ordinaries index closed 0.6 higher at 751.

Gold and base metal issues were mixed, while hydrocarbon-related stocks were steady to weaker. One of the largest losses for the session was incurred by News Corporation, 35 cents lower at A$11.

HONG KONG

PROFIT-TAKING developed after a steady start in Hong Kong ahead of this week's latest round of Sino-British talks on the colony's future. The Hang Seng index closed 22.06 lower in thin trading as institutions and large investors remained on the sidelines.

Hutchison Whampoa firmed 10 cents to HK$17.30, with Jardine Matheson unchanged at HK$13.10. In banks, East Asia was 20 cents lower at HK$28.50 and Hang Seng lost 25 cents to HK$44.50.

SINGAPORE

BANK, industrial and property shares lost ground in gloomy Singapore trading which clipped 14.79 off the Straits Times index to 1,022.34.

Sime Darby shed 5 cents to S$2.57 as the two Malaysian state bodies which are buying a 31 per cent stake in a Sime rubber company indicated that they would not make a bid for the rest of the unit.

SOUTH AFRICA

THE FIRMER bullion price sparked a rally in Johannesburg with most gold shares posting gains on the day.

Buffels put on R3 to R72 although Free State Geduld managed only a 25 cent gain to R48.75. In mining financials, Anglo-American Gold featured with a R3 rise to R141.

In chemicals, AE & CI slipped 5 cents to R8.25 following a decision to terminate its partnership with Triomf Fertilizer Investments. Triomf, hit by the recent drought and local economic downturn, had its share listing suspended.

CANADA

OIL AND GAS issues developed a marked weakness in Toronto yesterday while gold-related stocks also came under pressure. Base metals showed some resilience to the overall downturn.

Industrials were weak in mixed Montreal trading as utilities and banks displayed a measure of strength.

TOKYO

Sidelines adjudged the safest

IN THE ABSENCE of fresh incentives, investors stepped to the sidelines in Tokyo yesterday, sporadically selecting some cash-traded and high-priced stocks, while bond prices eased on concern over a U.S. interest rate rise, *writes Shigeo Nishiwaki of Juji Press.*

The Nikkei-Dow market average increased 16.02 over last week's close to 9,937.88. Volume came to 140.47m shares, the smallest for a full-day session since November 7. Declines outnumbered advances 335 to 325, with 191 issues unchanged.

An increased margin buying balance and sales by non-residents combined with the closure of the New York market to cause investors to adopt a hands-off attitude.

In early trading, investors bought some cash and high-priced issues in a bid to obtain short-term profits.

In the cash stock sector, Kanto Denka Kogyo became popular on strong demand for magnetic materials for 8mm video tapes, with its price surging Y90 to close at an all-time high of Y1,950. The previous peak of Y1,920 was attained on February 7.

Nissan Chemical Industries firmed Y12 to Y351 in sympathy, with its trade volume amounting to 7.99m shares, the day's largest.

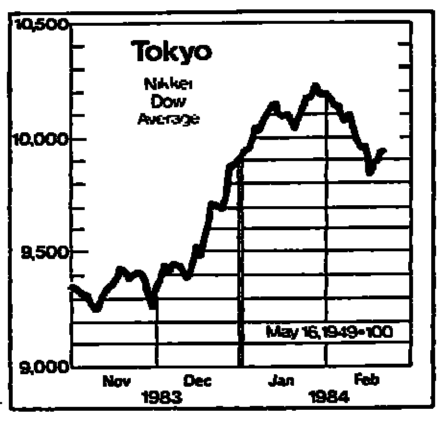
Nitsuko advanced Y80 to Y4,030, on an expectation that it would carry out a 15 per cent capital increase on a gratis basis at the end of the current business year ending in March.

Of the high-priced stocks, Kyocera advanced Y80 to Y10,130 and Kokusai Denshin (KDD), Japan's international telecommunications monopoly, Y600 to Y18,790.

Amid the lack of vigour, investors increasingly expect investment trusts to move into the market. Nomura, Yamaichi and three other investment trust management houses are scheduled to invite subscriptions for such trust funds amounting to Y125bn between now and the end of February. Of the total, the five plan to invest some Y35bn in stocks.

The bond market eased, reflecting rising caution about the firming of U.S. interest rates.

Trading in the over-the-counter bond market remained slow, with small-lot selling sending up the yield on the barometer 7.5 per cent government issues, maturing in January 1993, to 7.39 per cent from Friday's 7.37 per cent.



EUROPE

Activity at a low ebb

TRADING levels ebbed markedly on most European bourses yesterday, amid the absence of U.S. activity and caution induced in local operators by Wall Street's lack of composure last week.

Attention in **Frankfurt** centred less on the day's movements than on the planned Nixdorf flotation. Siemens, in possible reaction, shed DM 1.50 to DM 400.50 – but this was not far out of line with a generally easier tone which left the Commerzbank index 4.6 off at 1,051.0.

Vehicle issues were weak, showing Daimler-Benz down DM 6 at DM 573, BMW off DM 5.80 at DM 423.20 and VW DM 2.50 lower at DM 213.

BHF succumbed most to profit-taking among the banks, dipping DM 6 to DM 291, while Commerzbank lost DM 2.20 to DM 187.80 and Deutsche Bank edged down just 20 pfg at DM 388.

Domestic bond prices ended quietly lower, with falls ranging to 35 basis points, and the Bundesbank stepped in with purchases of public paper totalling DM 35.8m.

Zurich, by contrast, found reserves of underlying strength which enabled a firmer result in all the main sectors except insurances, where Zurich Insurance shed SwFr 100 to SwFr 17,400. Banks meanwhile led the way upward, featured by strong demand for Swiss Bank on the possibility of a dividend rise.

Its stock added SwFr 13 to SwFr 360, with foreign orders prominent. Bank Leu put on SwFr 90 to SwFr 4,590 and UBS SwFr 35 to SwFr 3,595.

On the manufacturing side Nestlé added SwFr 30 to SwFr 4,860 on its denial that it planned a bid for Beatrice Foods of the U.S.

Domestic bonds held firm, with gains better among corporate than federal issues.

Beatrice Foods was also the subject of speculation in **Amsterdam** as Unilever declined comment that it had taken a stake. The Anglo-Dutch group's shares firmed 10 cents to Fl 247.10.

Sentiment elsewhere was dull, but many losses were all but recovered by the close. Publisher Elsevier, off Fl 12 at one stage, finished just Fl 2 down at Fl 550.

Bonds eased some 10 basis points.

France's trade deficit dampened **Paris** enthusiasm, compounded by technical selling ahead of the account end today. L'Oréal shed FFr 15 to FFr 2,120 and Skis Rossignol FFr 30 to FFr 1,270.

The new FFr 12bn state loan was favourably received.

Settlement day also unsettled **Brussels,** as did uncertainties over the Belgian franc and budget deficit. Solvay shed BFr 50 to BFr 3,680 while Gevaert managed a BFr 35 rise to BFr 3,055.

A late **Milan** rally featured insurer RAS, up L1,640 to L59,490 and in unofficial dealings as high as L60,000, on speculation that the Pesanti group may sell its stake. The industrial majors were neglected, and Fiat slipped L48 to L4,091.

Bonds were firm but thinly dealt as yields were set for the next Treasury auction of credit certificates.

Stockholm, cautious amid the annual results period under way, showed Asea off SKr 5 at SKr 420 ahead of its figures due on Thursday.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

(L to r) Duncan Fitzwilliams, Nicholas Samuel and John Lewis: lofty ambitions

An attack on two fronts

Tim Dickson reports on Oberon, a start-up which is undercutting its larger competitors and hoping to hit the U.S. market

MOST people are happy if they make just one fortune in a lifetime. But 34-year-old Nicholas Samuel—who shrewdly invested a substantial sum in Computer and Systems Engineering (CASE) before it achieved Stock Market fame—is now raring to have a second go.

A member of the family whose forbears founded Shell, Samuel believes he has found the right vehicle for his purpose in Oberon International, a recently launched computer peripherals business. The pedigree and recent track-record of its young chairman apart, there are several reasons why Oberon is no run-of-the-mill start-up.

● Its first product, a low-cost optical character reader (OCR) which enables typed or printed material to be entered into microcomputers, is significantly cheaper than anything else on the market. Samuel believes it has major sales potential.

● His enthusiasm, moreover, is shared by investors in the City of London. With the company's first sale still to be chalked up, Venture Link, a specialist broker which matches entrepreneurs with sources of risk capital, has already raised £1.8m from institutions which include RIT and Northern, and investment trusts in the Foreign and Colonial stable.

● In line with its lofty ambitions—but still untypically for many high technology British companies — Oberon is determined to attack the lucrative American market from Day One.

In recent years, however, optical character reading has been a graveyard for the hopes of many companies which have failed to penetrate the market with new devices. And while small businesses have been successful at the low cost end of the range, the OCR industry is dominated by big companies — IBM, Recognition Equipment, Scan Data and Scan Optics to name but four.

Industry observers confirm that at less than $500 a unit Oberon's Omni-Reader is for the moment undoubtedly in a price range all its own. But a big question mark hangs over the size of its potential market and the company's ability to achieve the high volumes almost certainly needed to make money.

Although the company still has everything to prove, it has many of the features of a company venture capitalists love to back. The story began in almost fairy tale style when its inventor, John Lewis, walked in off the street to see Venture Link's Duncan Fitzwilliams. Fitzwilliams and his colleagues Peter Burton and Derek Laval are well known for taking CASE from a start-up in 1969 to a public quotation 12 years later. But while Fitzwilliams remains chairman of what is now a well established international computer concern, much of his time and energy recently have been devoted to developing Venture Link's fund-raising and monitoring services for new high-tech businesses (so far the company has helped 18 companies and raised in aggregate more than £20m).

"The idea for a cheap optical character reader seemed very elegant and seemed to offer great potential," recalls Fitzwilliams. "But John Lewis had one other very important attribute. He was not proprietorial; he was much happier to have the opportunity to own a small share of a very large company than to hog it all to himself."

Such is the stuff of venture capitalists' dreams but Fitzwilliams realised that to exploit the full potential of the idea somebody else was needed to transform what was then a fairly crude prototype into a viable business.

It was then that he approached Nicholas Samuel, a former development director of CASE who had dipped deep into his own pocket to help stave off financial crisis in 1977 and who had seen the gamble pay off when he sold most of his 20 per cent stake for eight times its original value three years later.

Samuel—who had worked on CASE's highly successful DCX series of statistical multiplexers—simultaneously left the company to find "something where I could do my own thing."

Although Samuel has been involved financially and closely associated with research on the Omni-Reader for a couple of years, Oberon has farmed out much of its work to subcontract specialists (the company still has no premises of its own in the UK). Early seed finance provided by Samuel and others, for example, was used to pay for consultants' research and last year the development project was transferred to AIM Cambridge (which is responsible for the electronics, software and mechanical engineering) and Ogle Design (which handles the ergonomic and aesthetic design).

Manufacturing — scheduled to start in the summer — will also be contracted out. A deal is expected to be signed shortly with Timex and another company. "We see a lot of small businesses trying to do their own manufacturing and design," comments Samuel, who advises another venture capital fund part-time, "but there is no way we could have hired specialists to cover each function. The money would have gone long ago. I reckon it has been 30 per cent cheaper doing it this way and it's so much more flexible — you can have a big burst of work one moment and then slacken off if you don't want to start another product immediately."

Tackling the North American market forms a key part of Oberon's plans. "Quite frankly it would be a risk not to do so with at least 50 per cent of the English speaking market in the U.S." comments Fitzwilliams. A sales office has already been established in Dallas, Texas, to be headed by Group Marketing Director Allen Groh, an American formerly with Texas Instruments, who was tempted away from Philips in the early half of last year.

Samuel talks eagerly of the 37m or so personal computers and word processors expected to be installed in the U.S. by 1986 (9m by then in the UK) and points out that just 1 per cent would represent a substantial market.

A tremendous amount of design and engineering skill has been applied to the Omni-Reader's "head"—a hand-held device that looks a bit like an electric shaver and moves across the typed page on a specially engineered ruler. It can be linked to a microcomputer or word processor in the same way as a modem and "reading" takes around three seconds per line.

Marketing a new product in a new market place, however, is just about the biggest challenge any small company can take on. And given the sophistication of the device, the reaction of customers to the first batch of products will be absolutely crucial. Oberon has gone to great pains to iron out as many bugs as it can at this stage.

Competition, meanwhile, obviously poses a major threat but Samuel does not appear unduly worried. While aware of much laboratory research and the activities of at least one major business in this field—he is confident that Omni-Reader has a comfortable lead. "If a major company did come into the market it would give us extra credibility," he says.

Pastures new

AT 38, *John de Bruyne (left)* has come a long way since being expelled from Eton. He built Gordon Keeble sports cars before the company making them started to lose money; he *revived its fortunes* making instruments for medical laboratories; he sold Clive Sinclair his premises in Cambridge making a tidy profit in the process; and in early 1982 he invested £600,000 to develop a Cambridgeshire Moat House and its *surroundings into his own 17½* acre science park (see Management page December 21 1982).

Last Friday de Bruyne completed the sale of Melbourn Science Park to an unnamed public company—for a substantial but undisclosed profit—and when he gets back from a forthcoming holiday (his first in five years) he will be eagerly casting around for his next business opportunity.

Like Nicholas Samuel, de Bruyne is a rare British example of the sort of financial entrepreneur who likes to build up a business, sell out and move on to a fresh challenge. Like his much more common American counterparts, moreover, he does not seem to be able to resist the lure of venture capital. "I suppose there is a sort of vicarious pleasure in helping other people get going and jumping the sort of *hurdles I had to cross," he* observes.

De Bruyne is already looking at one or two propositions in the electronics field but while he is seeking board representation he does not necessarily aim for close management control. "I hope to end up with a portfolio of companies," he says.

In brief...

BARCLAYS BANK yesterday launched a Smaller Business Loan Scheme in conjunction with the Council for Small Industries in Rural Areas (Cosira). Businesses employing up to 20 skilled people and supported by Cosira's financial and management services will qualify for the loans, which are for a minimum of £2,000 and a maximum of £250,000 over two to 20 years.

The costs vary according to the term chosen and depend on whether security is offered. The fixed rate for a secured loan up to 10 years is 13 per cent at the moment (14 per cent unsecured) with a variable alternative at 2½-3 per cent over the base. The negotiation fee is 0.5 per cent (max. £250).

The Barclays initiative is almost identical to a scheme already being run with Cosira by National Westminster. In both cases the aim is to tap the knowledge of Cosira's advisers, who are experienced in putting together business plans and helping on other technical, managerial and financial matters.

But the arrangement suits both parties since it complies with Cosira's policy of trying to give maximum encouragement to the private sector (the maximum the Council itself can lend is £75,000).

Under the NatWest scheme—launched in September 1982—a total of 41 cases have been approved. Cosira lending has amounted to almost £1m with NatWest putting up £1.18m in term loans and nearly £200,000 in overdraft facilities. Cosira, 141, Castle Street, Salisbury, Wilts SP1 3TP. (0722) 336255.

●

THE Deloitte Haskins and Sells "High Technology Industry Group" has written a new book entitled "*Raising venture capital*" which explains how to write a business plan and lists sources and types of finance. Published by Financial Times Business Publishing, it is available from the Marketing Department, 102 Clerkenwell Road, London EC1M 5SA. Price £6 (inc. P and P).

●

NEARLY half of the chief executives of 36 highly successful smaller American companies randomly interviewed by international executive search and recruitment consultants, Russell Reynolds Associates, said they devoted at least 70 hours a week to their business activities. None spent less than 40 hours.

Support for minorities

More help urged for ethnic businesses

BY LISA WOOD

ETHNIC COMMUNITIES need "positive discrimination" if they are to produce more thriving small businesses.

This was the message to Government and local government officials and bankers who attended a seminar last week called to discuss the implications of a Runnymede Trust-sponsored survey of Afro-Caribbean and Asian small businesses in Brent, North London.

One of the major recommendations of the survey, by Peter Wilson, formerly of the London Business School, was that the Government should urge banks to use its Loan Guarantee Scheme more frequently in assisting black entrepreneurs.

Wilson said at the seminar that he saw no reason why the Loan Guarantee Scheme could not be used for preferential lending to those in inner city areas and particularly to ethnic groups.

Janet Morgan, of the Department of Industry, explained the scheme was designed for economic, not social purposes. She suggested that the problem for ethnic businesses was that many people had not received the right help in preparing a business plan for presenting to the bank. "We provide an advisory service," she said "which we know is not reaching a number of the people represented here."

Wide support was given to a contribution by David Logan, community affairs manager for the Northern European division of Levi Strauss. "Hand-holding schemes," he said, needed to be set-up, by Government and by business, in which black businesses would be helped in the first few years of activity. His company, for example, is one of five partners in a scheme in the North of England and Scotland which provides low rent accommodation, grants, low interest loans and technical assistance, for young people starting their own businesses.

Sam Greenaway, a Conservative member of Brent Council, pointed out that with a low income base in which to accrue savings, black businesses were often undercapitalised. Government, he said, should take action "above the heads" of ordinary bank managers. More had to be done in the way of financial help from central Government.

Banks, many of which were represented at the seminar, got their usual dose of criticism. The survey itself suggested that managers saw Afro-Caribbean customers in a less favourable light than Asian clients. Discrimination, real and perceived, was still a major problem for blacks wanting to borrow.

The survey focussed on Brent's Asian and Afro-Caribbean business community. Brent has the highest percentage of black and Asian people in London and has a relatively large amount of ethnic business activity.

Commissioned to look into the barriers facing ethnic businesses, the survey found among things that most had a very parochial marketplace, which limited their growth.

Commenting on the results, Wilson said: "In terms of action we ought to be looking at ways of getting people to reach beyond local markets."

Dependence

Asians in the survey, with a high representation in retailing, had customers from a wider section of the community than had Afro-Caribbeans. The latter tended to be more involved in services, such as hairdressing. Afro-Caribbean business growth was thus further inhibited by its greater dependence on its own community.

Only 15 per cent of the Afro-Caribbeans in the survey had started their businesses with a bank loan, compared with 70 per cent of Asians. The difference, said Wilson, was too great for a simple explanation. In examining several of the variables he said that as far as bank managers were concerned there was some evidence of discrimination. "It is difficult to be objective," he said, "but there is extensive perceived discrimination and that is enough to inhibit the borrowing capacity of these firms."

Black Business Enterprise in Britain: A survey of Afro-Caribbean and Asian Small Businesses in Brent. From: The Runnymede Trust, 37A Gray's Inn Road, London WC1X 8PP. Price £4.50.

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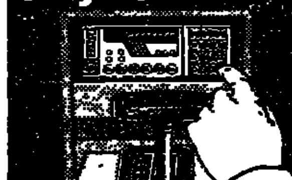

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IATA/ABTA/BR
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10 Cannon Street, EC4P 4BY

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Financial Times
10 Cannon Street, EC4P 4BY

FOR SALE
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Substantial forward work load in Public and Private Sector
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Financial Times
10 Cannon Street, EC4P 4BY

Light Industrial Machinery Wholesaler

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ANGLIA, LONDON & HOME COUNTIES AREA
Turnover £276k
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Well established cash and carry business for sale. Net profits of approximately £350,000
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PLANT HIRE business and premises for sale as a going concern inc. plant fleet, manor residence 6,300 sq. ft. workshops, etc. on 6.4 acres, Malmesbury, Wiltshire. Edward Rushton Son & Kenyon. 01-493 6787.

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Together with ancillary materials and equipment.

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Peat, Marwick, Mitchell & Co.,
155 Buchanan Street,
Glasgow.
Tel: 041 204 1481.

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East Midlands

For sale from the joint receivers as a going concern. Turnover approximately £1¼ million employing some 50 people and operating from leasehold premises (annual rental £15,000 p.a. exclusive) in the East Midlands.

For further information write or telephone to J. P. Collins, A. Lovett or H. Wilks
Clumber Avenue,
Nottingham NG5 1AH
Telephone (0602) 607131

Spicer and Pegler
Chartered Accountants
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WHOLESALERS OF PROVISIONS

The company packs and distributes bacon, cheese and cooked meat. There are 20 employees, and the company is located in long leasehold (99 years) premises in Rochester, Kent. The company distributes throughout Kent, and sales are in excess of £2 million per annum.
Further information from The Receiver, P. J. Beirne, Leeds House, 21 Dyke Road, Brighton BN1 3GD.
Telephone: 0273 203323. Telex: 877906.

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Principals please reply, in confidence, to:
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10 Cannon Street, EC4P 4BY

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Manufacturer changing direction of investment would release design drawings
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Well established substantial family hotel in outstanding location close to beaches, shopping, and entertainment. Convenient for Airport and town. 32 Bedrooms, Excellent Bars, with restaurant 100 covers, fully equipped kitchen, cold room etc. Fresh water pool with sun terrace: many other guest facilities; comfortable manager's flat. Finance available to suitable purchaser but minimum cash requirement circa £250,000.
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Projected turnover 1983/84 £720,000
Well located 8,000 sq ft Modern Leasehold Property
23 years remaining on Lease
Good trade customer list
Excellent stocks, incl. large range of doors
"X" reg. Delivery Lorry
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30,000 sq. ft. Buildings
Large Tank Storage
30,000 tons/pa capacity
Lots of Parking
Lab — fully equipped
NEAR BRISTOL
Sale Freehold or Rent
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GARDEN AND WATER GARDEN CENTRE

Turnover in excess of £320,000
3 Acre Freehold Site
in East Anglia
Further details from Box G9497
Financial Times
10 Cannon Street, EC4P 4BY

COMPANY NOTICES

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
(Incorporated in the Republic of South Africa)

DIVIDEND No. 97
ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 20th December, 1983, members are informed that the rate of exchange at which payments of the above dividend are to be despatched by the United Kingdom Paying Agents [illegible]

	Amount payable per share (U.K. currency)
Equivalent in United Kingdom currency of dividend declared	451.2111p
Less: South African Non-Resident Shareholders' Tax of 15%	67.6817
AMOUNT PAYABLE WHERE A U.K. INLAND REVENUE DECLARATION IS LODGED WITH COUPONS	383.5294
Less: United Kingdom Income Tax at 15% on the gross dividend (See Notes 1 and 2 below)	67.6817
AMOUNT PAYABLE WHERE COUPONS ARE LODGED WITHOUT UNITED KINGDOM INLAND REVENUE DECLARATIONS	315.8477

COUPONS must be listed in duplicate on forms obtainable from the London Bearer Reception Office and deposited for examination at any weekday (Saturday excepted) at least seven clear days before payment is required.

BARNATO BROTHERS LIMITED
London Secretaries
D. R. FRITH
Secretary

99, Bishopsgate,
LONDON, EC2M 3XE.
20th February, 1984.

NOTES: (1) The gross amount of the dividend for use for United Kingdom Income and Surtax purposes is 451.2111p.
(2) Under the Double Taxation Agreement between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the standard rate of 30% represents an allowance of credit at the rate of 15% in respect of South African Non-Resident Shareholders' Tax.

PEMEX

PETROLEOS MEXICANOS
(a Decentralised Public Agency of the United Mexican States)

U.S. $100,000,000
Floating Rate Notes Due 1988
(Extendable at Noteholder's Option to 1991, 1992 and 1993)

In accordance with the terms and conditions of the Notes and the provisions of the Reference Agency Agreement between Petroleos Mexicanos and The Industrial Bank of Japan, Limited dated August 7, 1981 notice is hereby given that the Rate of Interest for the Sixth Interest Period has been fixed at 10⅜% p.a., and that the interest payable on the relevant Interest Payment Date August 16, 1984 against Coupon No. 6 will be US$524.51 and has been computed on the actual number of days elapsed 182 divided by 360.

February 16, 1984
By The Industrial Bank of Japan, Limited
Reference Agent Singapore Branch

IBJ

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of $1.00 (gross) per share of the Common Stock of the Corporation, payable on the 10th March, 1984, there will become due in respect of Bearer Depositary Receipts a gross distribution of 5 cents per unit.
The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 16th March, 1984.
All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's Final Report for 1983 will be available upon application to the Depositary named below.

Barclays Bank PLC
Securities Services Department
54 Lombard Street
London EC3P 3AH

NOTICE TO HOLDERS OF UNITS IN THE KOREA TRUST

NOTICE IS HEREBY GIVEN that the Manager for the subject Trust, Daehan Investment Trust Co. Ltd. has confirmed that the second distribution is to be made on and after February 6, 1984. Record date for this payment was December 31, 1983.
[illegible]

Paying Agents
Main Offices of Citibank, N.A., in Brussels, Hong Kong, London, Tokyo, and Zurich and Citibank (Luxembourg) S.A., in Luxembourg.

CITIBANK, N.A., London
Principal Paying Agent

February 21, 1984

PACIFIC BASIN FUND
10A, Boulevard Royal, Luxembourg

DIVIDEND NOTICE

Pursuant to a resolution of the Board of Directors of Pacific Basin Management Company S.A., a dividend of US$ 0.12 per share will be paid on 21st February, 1984, on all shares in issue and outstanding [illegible]

PACIFIC BASIN MANAGEMENT COMPANY S.A.
Luxembourg,
10th February, 1984.

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of US$125,000,000
February 1979/91

The rate of interest applicable for the six months period beginning on February 22nd 1984 and set by the reference agent is 10⅛% annually.

BRITANNIA GROUP OF UNIT TRUSTS LIMITED
BRITANNIA DOMESTIC TRUST

MEETING OF UNITHOLDERS HELD ON 1st FEBRUARY 1984
[illegible]

ITO-YOKADO CO., LTD.
(CDRs)

The Board of Directors of Ito-Yokado Co. Ltd. has announced that shareholders, who will be registered in the books of the company on February 29th, 1984 [illegible]

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam,
February 15th, 1984.

ART GALLERIES

BROWSE & DARBY, 19, Cork St, W1. 01-734 7984. ROBERT O'NEAL. Recent Paintings. [illegible]

NOORTMAN & BROD, 24, St. James's Street, SW1 [illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Equity leaders drift back in markets apprehensive about threat of dearer U.S. money

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 13	Feb 23	Feb 24	Mar 5
Feb 27	Mar 8	Mar 9	Mar 19
Mar 12	Mar 22	Mar 23	Apr 2

* "New-time" dealings may take place from 9.30 am two business days earlier.

Renewed pessimism about short-term U.S. interest rates caused London equity markets to enter the final leg of the current trading Account in an uncertain mood yesterday. London investors again chose to ignore blue chip industrials in favour of speculative issues or stocks regarded as recovery situations.

Dealers reported that business in leading shares was even slower than on Friday with institutional operators reluctant to commit funds of any size ahead of Thursday's preliminary statement from market bellwether ICI. Heightening Middle East tension also served as a deterrent, while Wall Street's closure yesterday for Washington's birthday added to the lethargy.

Initially, prices were only a shade easier but they drifted steadily lower in thin trading and the FT Industrial Ordinary share index stood 4.6 down at 3 pm before closing 3.7 lower on the session at 812.5. Similarly, after being 4.8 down at 1,034.2, the new FTSE 100-share index settled 3.6 down at 1,035.4.

Numerous features appeared among secondary stocks with buyers usually concentrating on old speculative favourites and companies mentioned in the week-end Press columns. After Friday's flurry of excitement, which followed Mercantile House's bid terms for Alexanders, Discount Houses were quieter but inclined firmer in places.

Brown Shipley jump

Oils, too, were more subdued with the market tending to dismiss Friday's fears that the Strait of Hormuz might be closed.

The renewed threat of higher short-term U.S. interest rates, which lowered U.S. bond values quite sharply on Friday, had little impact on the market in Gilt-edged securities. Opening quotations were a trifle easier, but the cheaper levels attracted revived demand from investors encouraged by sterling's recent improvement against the dollar. Longer-dated Gilts soon regained losses ranging to ¼ and most managed to close marginally firmer on the session. At the shorter end of the market, high-coupon issues were a touch easier where changed, but low-coupon stocks ended ⅛ better in places.

Brown Shipley highlighted the banking sector, rising 60 to 455p on revived bid speculation. G. R. Dawes, currently in voluntary liquidation, were marked up 3 to 10½p following details of the proposed further repayment of 12p per share before the year end. Elsewhere, Nat-West's planned link-up with stockjobbers, Bisgood, Bishop, had little impact and the close was unaltered at 725p. Lloyds, however, advanced 10 to 585p and Midland hardened 2 to 400p. Barclays, which start the dividend season on March 5, softened a few pence to 525p. Discount Houses were more subdued after Friday's excitement on the Mercantile House agreed offer for Alexanders; the latter gained 5 further to 565p. Hire Purchases were featured by a late rise in Provident Financial, up 7 at 472p.

Interest in Insurances was at a low ebb. Reflecting fading bid hopes, Hogg Robinson lost 5 to 162p.

The two newcomers to the Unlisted Securities Market staged successful debuts. Morgan Communications, a publisher of free newspapers, opened at 69p and touched 76p before settling at 72p compared with the placing price of 60p. Sangers Photographics, a spin-off from Sangers Group, opened at 26p, compared with the placing price of 23p, and touched 27½p before closing at 27p. Moreeau Holdings, fully-listed fire protection systems supplier, was also well received; the shares, placed at 110p, opened at 127p and moved up to 130p before settling at 129p.

Press-inspired expectations of a counter-bid stimulated increased speculative demand for Border Breweries (Wrexham), which advanced 16 more to 308p; the shares stood at 100p a week ago. Suitors Forshaws Burtonwood rallied a few pence to 320p, but Wolverhampton and Dudley, shed 2 to 226p. Interest was also noted for Llanelli-based Buckleys which firmed 3 more to 49p.

London Brick shed 3 to 162p reflecting fears that the Hanson Trust offer might not succeed. Fellow brick concern Ibstock Johnsen touched 191p before closing a net 3 dearer at 187p following a Press suggestion that Hepworth Ceramic may launch a bid for the company if the Monopolies Commission blocks a fresh offer for Steetley. Elsewhere in the Building sector, Heywood Williams attracted buying ahead of the preliminary figures, due at the beginning of next month, and rose 8 to 149p, while Marchwiel hardened a couple of pence to 216p in front of tomorrow's annual results. M. J. Gleeson firmed 7 to 182p following a put-through of 450,000 shares at around 177p per share.

ICI marked time ahead of Thursday's preliminary results but the close was a couple of pence dearer at 602p. Renewed speculative buying lifted P.V.C. floor coverings concern James Halstead 8 to 98p.

Stores subdued

Leading Stores gave another lacklustre performance and attention was again directed towards selected secondary issues. Favourable comment sparked revived support of French Connection, which advanced 7 to 215p, albeit in a restricted market. E. Upton rose 2 to 53p, with the A 3 better at 39p, also on a weekend mention. Fresh speculative support lifted W.W. 3 to 158p and Selincourt a penny to 11½p, the last-named following "call" option activity.

FINANCIAL TIMES STOCK INDICES

	Feb. 20	Feb. 17	Feb. 16	Feb. 15	Feb. 14	Feb. 13	year ago
Government Secs ...	82.79	82.79	82.89	82.77	82.72	82.60	79.54
Fixed Interest	87.05	87.05	87.04	86.90	86.81	86.81	81.08
Industrial Ord..	812.5	816.2	817.9	816.6	812.1	803.0	644.6
Gold Mines	616.9	606.7	616.5	606.0	577.7	589.9	708.9
Ord. Div. Yield.........	4.53	4.51	4.50	4.51	4.53	4.52	5.03
Earnings, Yld.% (full)	9.46	9.43	9.41	9.42	9.46	9.54	10.75
P/E Ratio (net) (*).....	12.93	12.98	13.01	12.99	12.95	12.84	11.18
Total bargains.........	23,164	22,529	21,406	24,006	25,099	25,878	25,214
Equity turnover £m.	—	267.22	212.66	281.19	253.64	214.07	210.15
Equity bargains	—	18,137	18,027	18,834	17,840	22,539	21,833
Shares traded (ml)...	—	174.6	146.1	172.5	163.4	141.4	133.8

10 am 814.1. 11 am 812.7. Noon 811.6. 1 pm 811.7. 2 pm 811.7. 3 pm 811.6.

Basis 100 Govt. Secs. 8/1/58. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/58. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 12.14.

HIGHS AND LOWS

—	1983/84 High	1983/84 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	77.00 (24/1/83)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.47 (30/1/84)	79.03 (1/2/83)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord...	840.5 (25/1/84)	598.4 (12/1/83)	840.5 (25/1/84)	49.4 (26/6/40)
Gold Mines	734.7 (15/2/83)	444.6 (1/11/83)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 17	Feb. 16
—Daily		
Gilt Edged Bargains ...	157.3	150.6
Equities Bargains ...	117.5	116.8
Value ...	540.1	429.8
5-day Average		
Gilt Edged Bargains ...	155.2	151.5
Equities Bargains ...	123.6	127.2
Value ...	496.7	512.2

Shoes showed FII 6 dearer at 234p; the interim results are scheduled for next Monday.

Leading Electricals were often a shade easier after a slow trading session. Unlisted securities were featured by a jump of 80 to 720p in Microfocus on the bumper annual profits and proposed £9m rights issue. Still reflecting the encouraging tenor of the chairman's annual statement, Tunstall Telecom advanced 10 more to 273p. Elsewhere, disappointing preliminary figures left Standard Telephone and Cables 6 lower at 278p, after 271p at one stage. Pressac, in contrast, responded to Press mention with a rise of 11 to 218p. Newman Industries firmed a couple of pence to 28p for a similar reason.

The absence of any announcement regarding much-rumoured stakeholders made for rather subdued trading in TI which settled without alteration at 244p. Among other leading Engineering stocks, GKN drifted off to close 4 cheaper at 203p and Hawker a couple of pence cheaper at 396p. Bid hopes in Brookhouse, down 7½ at 39½p, faded following details of the Caparo proposals to inject £5m of new capital into the company. Week-end Press mention stimulated interest in Wyndham Engineering, 4 up at 100p, and Manganese Bronze, a couple of pence higher at 42p. News of the proposed sale of Terex Ltd to General Motors prompted a rise of 2½ to 16½p in Blackwood Hodge, but Porter Chadburn met with profit-taking and reacted 8 to 102p.

Foods lacked inspiration and closed with small irregular movements. Tate and Lyle slipped 5 to 378p, but S. and W. Berisford hardened 3 to 205p.

Leading Hotels were barely tested and closed virtually unchanged, but secondary issues continued to attract considerable speculative interest. De Vere stood out with a gain of 13 at 288p, while another brisk business left Norfolk Capital a penny dearer at 75p.

BHP advance

Broken Hill Proprietary, the Australian industrial giant, featured with a rise of 40 to 930p following a tender offer for 16m shares from Mr Holmes à Court via an exchange for shares in Bell Resources; this was quickly followed by an announcement of a one-for-five bonus issue and dividend forecast from BHP. Elsewhere in Miscellaneous Industrials, London and Liverpool halved to 9p before closing a net 4½ cheaper at 14p after comment on the company's reconstruction plans. Extel, up 25 at 520p, drew strength from weekend Press mention, while Bestwood, also reflecting newspaper comment, improved 9 to 154p. Suggestions that the MC could block Hepworth Ceramic's attempt to acquire Steetley, prompted a fall of 7 to 253p in the latter. The former improved 5 to 141p. Bought recently on bid hopes, Gestetner "A" encountered late speculative demand and ended 8 to the good at 107p. Redfearn Glass made further progress to 95p, up 4, while Radiant Metal were noteworthy for a rise of 10 to 78p along with R. K. Watson, 7 dearer at 82p. Harvey and Thompson improved 4 to 120p on news that Matherwood had increased its stake in the company to 5.41 per cent.

The Leisure sector displayed a couple of bright spots. Radio City "A" advanced 17 to 150p on news of a new IBA contract, while MME Facilities put on 4 to 53p following an investment recommendation.

Motor distributors were highlighted by Henlys which attracted a lively trade and touched 114p before settling a net 9 dearer at 107p on news that Hawley subsidiary Coleman Milne had paid 120p per share for 2.1m Henlys shares—almost 15 per cent of the equity; at the same time, British Car Auction has agreed the purchase of 4.2m Coleman Milne shares at 60p per share thereby raising its holding to around 33 per cent. Coleman Milne closed 3 up at 66p, after 68p, while BCA eased 3 at 127p. Elsewhere, confirmation of further buying by Mintirok, which now controls almost 10 per cent, lifted Reliant 4 to 36p. Components on the other hand, drifted lower. Flight Refuelling, buoyed of late by takeover rumours, succumbed to profit-taking and fell 9 to 265p, while Lucas gave up 5 at 214p.

Publishers featured William Collins, which improved 5 more to 403p; the annual results are expected in mid-March. Advertising agents Valin Pollen, which holds the possibly lucrative Reuters contract, advanced 18 to 175p; the shares were originally placed on the Unlisted Securities Market at 110p. Design consultants Michael Peters were wanted at 137p, up 7, while further consideration of the encouraging full-year figures lifted Hunterprint 8 more to 188p.

Interest in Properties was at a low ebb and significant movements were few. Hammerson "A" slipped 5 to 780p and Slough Estates lost the turn to 124p. Samuel eased a couple of pence to 135p, but Peachey improved that much to 195p. Elsewhere, United Real attracted occasional support ahead of Thursday's interim figures and hardened 5 to 445p. Press comment stimulated interest in Sheraton Securities which added 1½ to 15p.

Oils easier

Leading Oils put on a disappointing performance and closed with modest losses. A lack of follow-through buying interest after Friday's late upsurge prompted an initial mark-down and this was quickly followed by profit-taking throughout the list. A minor rally around midday proved short-lived and quotations eased afresh awaiting news on the latest developments in the Iran/Iraq conflict and the Lebanon.

BP fell to 426p but rallied to close only 3 easier on balance despite reports of a second drilling failure in the South China Sea. Recent takeover favourite Burmah closed 5 off at 186p. Tricentrol receded a like amount to 203p and Ultramar, despite favourable weekend Press comment, dropped 10 to 675p. Among the domestic onshore explorers Carless Capel gave up 5 to 240p, after 238p.

Irish exploration issues were volatile, Atlantic retreating 45 to 490p amid rumours of further technical problems in the appraisal well currently being drilled off the coast of Waterford. Aran Energy gave up 6 to 65p.

Golds improve

South African Golds regained all of the ground lost on Friday, boosted by a marginally firmer bullion price and a stock shortage. Turnover was at a low level, reflecting the absence of any U.S. interest, but persistent small buying from Johannesburg, coupled with stock shortages prompted widespread gains throughout the list and lifted the Gold Mines index by 10.2 to 616.9. Bullion closed $2.20 up at $385.45 an ounce.

Despite the overall lack of interest the heavyweights provided a number of firm features, notably Buffels, which jumped £1⅜ to £40¾ and Kloof, ⅜ to the good at £34¼. Cheaper-priced issues were highlighted by ERGO, which advanced strongly to close 44 firmer at 605p.

Financials mirrored the performance of Golds. Gencor Investments added a half-point at £12, Gold Fields of South Africa a like amount at £15½ and De Beers a couple of pence to 575p. Speculative buying from Johannesburg lifted Rand London 4 up at 25p.

London Financials also suffered from lack of interest with Rio Tinto-Zinc finally 5 cheaper at 643p and Charter Consolidated 2 off at 242p. Gold Fields reflected the trend in bullion and South African Golds, closing a fraction harder at 574p.

Platinums received a boost in the weekend Press but only Lydenburg responded by edging 5 higher to 580p.

Australians were overshadowed by the latest developments in the Bell Group/BHP saga and were not helped by a lack-lustre showing by overnight Sydney and Melbourne markets.

Golds were an exception, however, with Emperor Mines advancing 25 to a year's high of 250p, Whim Creek adding a further 8 at a 1983-84 high of 246p and Southern Resources gaining 6 to 116p.

Elsewhere, Greenwich Resources jumped 15 to 180p following reports of a gold discovery in the Sudan.

The added incentive of Wednesday's expiry of the February series failed to entice Traded Option operators and total contracts amounted to only 1,802—well below last week's daily average of 2,578. ICI preliminary results due this Thursday, attracted 184 calls, 100 in the April 550s. Lonrho recorded 305 calls.

NEW HIGHS AND LOWS FOR 1983/84

NEW HIGHS (69)

BRITISH FUNDS (5)
Exchqr. 3pc 1984; Exchqr. 10pc 1989; Treas. 3pc 1986; Treas. 10pc Cnv. 1990 (£65 pd.); Treas. 8½pc '84-86

BANKS (4)
Alexanders Discount; Dawes (G. R.); Brown Shipley; Prov Financial

BREWERS (1)
Border Breweries

BUILDINGS (2)
Heywood Williams; Wimpey (Geo.)

STORES (4)
French Connection; Vantona Viyella; Liberty; WW Group

ELECTRICALS (8)
Lorlin Elects.; Newman Inds.; Micro Focus; Do. 10pc Cnv.Pf.Pf.; Micro Bus. Systems; Pressac; Pericom; Tunstall Telecom

ENGINEERING (6)
Aurora; Elliott (B.); Carclo Eng.; R.H.P.; Cook (W.) (Sheff.); Stothert & Pitt

INDUSTRIALS (12)
Assoc. Heat Services; Francis Inds.; Bestwood; Gestetner A N-V; Bridport-Gundry; Hartons; C.H. Industrial; Manch. Ship Canal; Courtney Pope; P.H. Industrials; Extel; W Ribbons

LEISURE (3)
Grampian TV A; TSW; MME Facilities

NEWSPAPERS (2)
Collins (Wm.); Collins (Wm.) A

PAPER (3)
DRG; Peters (M.); Hunterprint

PROPERTY (2)
Laing Props.; Rush & Tompkins

SHIPPING (1)
P. & O. Defd.

SHOES (1)
FII

TEXTILES (1)
Small & Tidmas

TRUSTS (7)
Camellia Invs.; Throgmorton Cap.; N. Throg. ('83) Inc.; Antofagasta Hldgs.; Outwich Inv.; Int. Inv. Tst. Jersey; Safeguard Industrial

OVERSEAS TRADERS (1)
R.E.A. Hldgs.

PLANTATIONS (3)
Grand Central; McLeod Russel 8.4pc Cnv. Pf.; Lawrie

MINES (3)
Emperor Mines; Whim Creek; Gt. Victoria Gold

NEW LOWS (13)

BRITISH FUNDS (3)
Treas. 2pc 1990; Treas. 2½pc 2020; Treas. 2½pc 2011

AMERICANS (1)
SCA Services

BANKS (1)
Algemene Bk. Ned.

BREWERS (1)
Morland

INDUSTRIALS (5)
Baxter Travenol; Security Services; Securicor; Do. A N-V; Do. A N-V

PAPER (1)
Ferry Pickering

PROPERTY (1)
Stewart Nairn

FTSE 100 INDEX

Close	1035.4 (−3.6)
Day's High	1038.7 (9.35)
Day's low	1034.2 (12.06)

(Base value=1000 Jan 3 1984)

RECENT ISSUES

RECENT ISSUES EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1983/84 High	1983/84 Low	Stock	Closing price	+or
137	Nil	—	22pm	13pm	McCorquodale........		
30	F.P.	9/3	58	45	Meggitt 5p		
350	Nil	—	44pm	28pm	Sketchley..............		

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Allotment letters (or fully-paid). ■ Introduction. ‡ Unlisted Securities Market. § Placing price. †† Official London Listing. ‖ No par value.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	31	23	49
Corpns. Dom. and Foreign Bonds ...	3	7	68
Industrials	252	278	883
Financial and Props.	78	130	317
Oils	19	39	63
Plantations	6	7	7
Mines	45	20	106
Others	39	78	69
Totals	473	582	1,562

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb 20	Mar 2	May 31	June 11
Mar 5	Mar 16	June 14	June 25
Mar 19	Mar 30	June 28	July 9

For rate indications see end of Share Information Service

Stocks favoured for the call included London and Liverpool, GRA, Norfolk Capital, Chamberlain Phipps, Beecham, Bass, Suter, Brooke Bond, Selincourt, Heywood Williams, Solicitors Law Stationery Society, Dwek, Queens Moat Houses, Ocean Transport and Trading, John Brown, Cater Allen, Raybeck, Davy Corporation, Low and Bonar, Tricentrol, Premier Oil, Foster Brothers Clothing, Tozer Kemsley and Millbourn, Eglinton, Gestetner A, Grattan, James Walker, Inter-City, TI, BSR, UKO, Richardsons Westgarth, Double Eagle and Quest Automation. A put was arranged in Atlantic Resources, while doubles were taken out in Chamberlain Phipps, Suter and Lasmo.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Friday's close	Day's change
Alexndrs. Disc.	22	560	+107
Trident TV A...	18	144	+15
Datastream ...	14	290	+32
McCorquodale†	13	20pm	—
Sumrie Clothes	13	150	+20
Britoil	12	248	+16
Grand Met. ...	12	357	+7
Hogg Robinson	12	167	+8
P & O Deferred	12	277	+9
Beecham	11	295	+5
Chmbln. Phipps	11	81	+4
Crystalate	11	244	+10
Mercantile Hse.	11	407	—
Polly Peck	11	235	−7

† Nil paid.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Aran Energy	65	−6
Atlantic Resources....	490	−45
Brockhouse	39½	−7½
Brown Shipley	455	+60
ERGO	605	+44
Honlys	107	+9
Ibstock Johnsen......	187	+3
Lon. & Liverpool	14	−4½
Morgan Comms. New	72	—
Norfolk Capital	75	+1
Std. Tel. & Cables ...	278	−6
Ultramar	675	−10

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Mon Feb 20 1984 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri Feb 17 Index No.	Thurs Feb 16 Index No.	Wed Feb 15 Index No.	Tues Feb 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	490.95	−0.3	8.67	3.66	14.95	492.56	493.20	490.11	484.62	444.25
2	Building Materials (25)	474.86	−0.1	10.78	4.66	11.55	475.40	474.60	473.88	468.64	426.32
3	Contracting, Construction (32)	756.76	+0.3	12.43	4.73	10.02	754.26	750.78	748.21	735.17	792.15
4	Electricals (15)	1707.82	−1.1	7.18	3.96	17.72	1726.26	1728.92	1717.05	1701.74	1654.22
5	Electronics (24)	1668.88	−0.4	8.48	2.21	15.48	1675.82	1683.90	1667.20	1650.33	0.00
6	Mechanical Engineering (64)	236.94	−0.2	9.98	4.82	12.41	237.48	238.11	236.79	233.48	209.72
8	Metals and Metal Forming (9)	200.85	−1.2	8.28	5.84	15.90	203.28	201.69	200.29	195.13	166.36
9	Motors (17)	133.40	−0.6	1.41	4.06	—	134.14	134.98	134.50	133.15	88.86
10	Other Industrial Materials (19)	618.82	−0.2	5.87	3.59	26.82	620.35	620.15	616.81	614.68	412.48
21	CONSUMER GROUP (196)	474.69	−0.2	10.47	4.28	11.67	475.54	476.76	476.21	474.07	414.94
22	Brewers and Distillers (23)	465.66	−0.2	12.98	5.18	9.53	466.41	470.19	469.43	469.18	474.84
25	Food Manufacturing (22)	394.10	—	13.17	5.38	8.83	394.24	385.55	384.61	381.53	336.14
26	Food Retailing (12)	1070.77	−0.1	7.76	2.73	16.59	1072.09	1072.59	1073.27	1064.92	838.00
27	Health and Household Products (9)	715.23	—	6.59	3.08	17.84	715.18	717.51	718.94	719.87	717.43
29	Leisure (23)	643.79	−0.2	8.86	4.99	14.51	644.88	638.94	635.24	631.36	582.95
32	Newspapers, Publishing (15)	1252.95	−0.1	7.81	4.82	15.29	1254.26	1246.10	1233.62	1234.81	729.43
33	Packaging and Paper (15)	243.04	+0.2	10.13	4.11	12.29	242.68	243.32	238.72	235.79	169.81
34	Stores (47)	422.89	+0.3	8.19	3.67	16.58	421.83	422.49	423.94	421.21	357.45
35	Textiles (19)	273.01	−0.5	11.13	4.45	10.40	274.32	275.62	273.78	272.21	197.50
36	Tobaccos (3)	531.65	−2.0	19.34	6.16	5.85	542.53	546.69	546.40	547.50	470.13
39	Other Consumer (8)	466.52	−0.7	10.90	5.66	—	469.87	467.14	463.26	458.01	366.11
41	OTHER GROUPS (83)	433.08	—	7.70	4.14	16.44	432.94	432.23	429.24	424.36	318.79
42	Chemicals (16)	605.26	+0.3	7.32	4.22	18.11	603.62	605.57	605.42	600.25	411.07
44	Office Equipment (5)	137.19	—	6.36	5.40	21.72	137.16	136.04	135.78	133.07	105.38
45	Shipping and Transport (14)	871.03	−0.1	7.28	4.66	18.55	871.87	863.55	857.29	847.71	574.62
46	Miscellaneous (48)	565.64	−0.1	8.27	3.81	14.50	566.47	564.53	557.00	549.75	457.00
49	INDUSTRIAL GROUP (484)	478.87	−0.2	9.43	4.05	13.25	479.79	480.50	478.78	474.96	412.04
51	Oils (16)	1039.19	−0.4	10.73	5.70	11.32	1043.60	1036.35	1009.08	1005.41	731.49
59	500 SHARE INDEX	525.85	−0.2	9.65	4.33	12.67	527.07	525.39	523.12	519.40	439.20
61	FINANCIAL GROUP (121)	379.74	−0.1	—	5.15	—	379.95	379.36	380.51	377.56	298.94
62	Banks (6)	404.11	+0.3	21.24	6.34	5.11	402.83	400.78	398.71	396.58	310.37
63	Discount Houses (8)	499.55	−0.3	—	6.41	—	441.01	425.57	419.49	398.71	295.51
65	Insurance (Life) (9)	513.33	−0.3	—	4.38	—	515.08	516.45	525.03	523.76	375.91
66	Insurance (Composite) (9)	249.11	−0.4	—	6.65	—	250.16	249.47	252.91	252.35	197.48
67	Insurance Brokers (6)	638.53	−1.4	10.72	4.51	12.86	647.69	646.95	653.70	643.65	555.49
68	Merchant Banks (12)	247.76	+0.4	—	3.83	—	246.65	243.51	241.65	238.18	164.88
69	Property (53)	536.85	−0.1	5.54	3.70	24.22	537.57	540.44	540.11	533.80	453.44
70	Other Financial (18)	274.77	+0.6	10.11	5.08	11.85	273.22	272.91	272.10	269.05	234.18
71	Investment Trusts (107)	495.55	−0.5	—	3.63	—	495.99	499.13	496.54	491.77	404.92
81	Mining Finance (4)	311.30	−0.4	8.47	4.68	14.50	312.68	314.04	310.73	306.91	267.05
91	Overseas Traders (15)	570.99	−0.9	8.69	6.56	14.94	576.28	573.43	574.94	570.75	440.94
99	ALL-SHARE INDEX (747)	490.86	−0.2	—	4.46	—	491.99	490.92	489.33	485.66	405.33

FIXED INTEREST

AVERAGE GROSS REDEMPTION YIELDS

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$375	44	23	3	35	—	—	$385.70
GOLD C	$400	69	10	6	20	7	30	"

TOTAL VOLUME IN CONTRACTS: 11,049

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*428)	390	45	52	—	6	13	—
	420	28	35	40	22	28	33
	460	8	16	20	53	56	63

Option		Calls Feb.	Calls May	Calls Aug.
LASMO (*316)	240	83	98	98
	260	63	78	83
	280	43	62	73

Feb. 20. Total Contracts, 1,802. Calls 1,339. Puts 463.

* Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1983-84 High	Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104⅝	100[illegible]	Exchequer 14pc 1984	101[illegible]	......	13.85	9.39
99[illegible]	92½	Exch. 3pc 1984	93[illegible]	+[illegible]	3.05	8.26
102[illegible]	100[illegible]	Treasury 12pc 1984	102½xd	......	11.82	9.37
107[illegible]	104[illegible]	Treasury 15pc 1985	105[illegible]	+[illegible]	14.28	9.59
107	101[illegible]	Exch. 12pc Cnv. '85	102[illegible]xd	-[illegible]	11.72	9.62
94[illegible]	89⅝	Treasury 3pc 1985	94[illegible]	......	3.18	7.75
102½	99⅝	Treasury 11½pc 1985	102⅜	......	11.23	9.62
102	95	Treas 8¼pcCnv '85	95⅝xd	+[illegible]	8.78	9.02
103¾	100⅛	Exch. 12¼pc 1985	103½	......	11.84	9.96
103[illegible]	99[illegible]	Exch. 11¾pc '86	103[illegible]xd	......	11.40	10.02
102¼	97¼	Treas 10pc Cnv 1986	100[illegible]	-[illegible]	9.94	9.67
89[illegible]	85⅝	Treasury 3pc 1986	89[illegible]	+[illegible]	3.34	7.98
101[illegible]	97[illegible]	Exch. 10½pc Cv '86	101⅛	......	10.38	9.90
103[illegible]	100[illegible]	Treasury 12pc '86	103[illegible]	-[illegible]	11.63	10.37
93⅝	94⅝	Treasury 8¼pc '84-86‡‡	93⅝	+⅛	8.64	9.26
109[illegible]	105[illegible]	Exch. 14pc 1986	107[illegible]	......	13.00	10.59
85⅝	84½	Exch 2½pc 1986	86⅝	+[illegible]	2.89	8.00
107¼	103⅝	Exch. 13¼pc 1987	106[illegible]	......	12.45	10.60
100[illegible]	95⅞	Treas 10¼pc Cnv '87	99½	-⅛	10.30	10.43
85[illegible]	80¼	Exchequer 2½pc 1987	85½xd	+[illegible]	2.92	7.91
100[illegible]	95⅝	Exch. 10½pc 1987	99[illegible]	-[illegible]	10.55	10.64
93¼	83⅝	Funding 6½pc '85-87‡‡	92[illegible]	-[illegible]	7.03	9.28
99[illegible]	96	Treas 10pc 1987	98⅛	+⅛	10.17	10.55
86	80¼	Treasury 3pc 1987	84[illegible]	+[illegible]	3.54	8.26
104⅝	99½	Treas 12pc 1987	103[illegible]	-[illegible]	11.60	10.82
94½	89⅜	Treasury 7¼pc '85-88‡‡	94½	......	8.20	9.44
101¼	95½	Exch 10½pc '88	99⅝	-[illegible]	10.57	10.68
96[illegible]	95[illegible]	Treas 9½pc Conv '88	97[illegible]	-[illegible]	10.02	10.51
81⅝	75¼	Transport 3pc '78-88	81[illegible]	-[illegible]	3.67	8.02
96¾	90¾	Treas. 9½pc '88	95[illegible]	......	9.95	10.74

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. AND LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

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DRAPERY AND STORES

DRAPERY—Continued

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ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1983-84 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
52	32½	MCD Group	49½	−1½	d1.0	2.2	2.9	22.6
		for MMT Computing see Electricals						
29	16	M.Y. Dart 10p	27	+½	70.25	—	1.3	—
212	134	M'C'rthy Pn. 20p	153	......	7.0	2.8	6.6	6.7
148	128	Macfarlane Gp.	144	......	†3.52	2.1	3.5	17.6
46	33	Maclellan 20p	37	......	d1.5	1.6	5.8	13.3
63	31	Macpherson (D.J.)	56	......	4.2	0.6	10.7	(33.0)
56	41	Magnolia Group	55	......	2.3	3.2	6.0	6.5
72	50	Mainmet Hldgs. 10p	55	......	—	—	—	58.7
195	65	Man. Ship Can. £1	195	+2	5.5	♦	4.1	♦
86	48	Marley	86	+1	†2.5	0.5	4.2	(42.3)
49½	30½	Marling Ind. 10p	46½	−½	†1.08	1.7	3.3	(28.9)
34	25	Marshall L'ry. 'A'	33	+1	†1.2	—	‡	—
70	44	Marshall's Univ	62	+2	6—	—	—	122.3
32½	23	Martin-Black	30	......	—	—	—	—
£130	£83	Matheson 7¾%	£108	......	07¾%	2.3	17.2	—
352	154	Metal Box £1	348	+4	†11.55	3.2	4.7	(8.5)
168	104	Metal Closures	156	−1	5.7	1.8	5.2	(20.1)
36½	14	Metal Sciences 2½p	24	......	—	—	—	—
19	6	Metamec Jentique	14½	......	0.01	—	0.1	—
147	70	Midland Marts	112	......	4.0	2.1	5.1	13.4
56	20	Moben Grp 1p	24	−2	†0.19	15.4	1.1	6.0
£271	£150	M'santo 5pc 82-6	£200xd	−9	05%	—	†2.5	—
147	76	Morgan Crucible	137	−1	†7.5	0.6	7.8	(46.5)
90	54	Moss (Robt.) 10p	86	......	†2.0	2.4	3.3	15.9
245	155	NMW Computers	225	+5	4.0	4.0	2.5	13.9
67	42½	Nash Inds.	62	......	4.0	2.2	9.2	7.2
38	11	Neil & Sp'ncer 10p	36	......	—	—	—	—
64	45	New Equip 10p	45	......	1.15	6.8	3.6	5.8
73	20	Nolton	55	−1½	1.0	2.9	2.6	19.4
175	117	Norcros	166	+1	b7.0	2.3	6.0	10.0
89	46	Nu-Swift 5p	65#	......	2.14	1.5	4.7	20.9
140	90½	Oakwood Grp.	95	......	d6.5	—	9.8	—
325	180	Office & Elect.	180	......	7.5	2.8	6.0	8.4
950	700	Orifiame Intl SA	700	......	†050c	2.2	5.0	9.0
40	13½	Ovenstone 12½c	37	+1	†03½c	2.8	5.6	6.6
£146	£93½	Ozalid Fin. Cv.	£130	−2	Q9%	—	†7.0	—
175	150	PGT Group 10p	175	......	b4.8	2.1	3.9	16.5

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—continued

1983-84 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
		Australians					
28½	13½	ACM 20c	17	+½	—	—	—
52	28	Allstate Expl. NL	32	......	—	—	—
10½	3¾	Asia Oil & Mins.	4½	......	—	—	—
40	9	Australis Mng. NL	26	......	—	—	—
33	11	Balmoral Res	31	+2	—	—	—
60	29	Black Hill Mins.	32	......	—	—	—
104	51	Bond Corp.	104	......	Q10c	0.7	6.5

Tins

Miscellaneous

NOTES

Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	76	......	Fin. 13% 97/02	£97¾	......
Craig & Rose £1	900	......	Alliance Gas	65	......
Finlay Pkg. 5p	46	......	Arnott	217	......
Higsons Brew	93	......	CPI Hldgs.	34	......
Holt (Jos) 25p	890	......	Carrol Inds.	116	+1
I.O.M. Stm. £1	125	+3	Hall (R. & H.)	61	......
			Heiton Hldgs.	25	......
			Irish Ropes	54	......
IRISH			Jacob (W. & R.)	67	......
Exch. 12% 1985	£99	......	T.M.G.	70	......
Nat 9¾% 84/89	£86¼	+¼	Unidare	77	......

For Bridgewater see Property

OPTIONS

3-month Call Rates

Industrials		House of Fraser	21	Vickers	12
Allied Lyons	13	I.C.I.	45	Woolworth Hld.	35
BOC Grp.	20	"Imps"	12		
B.S.R.	18	I.C.L.	6	**Property**	
Babcock	15	Ladbroke	21	Brit. Land	9
Barclays Bank	45	Legal & Gen.	45	Cap. Counties	15
Beecham	28	Lex Service	35	Land Sec.	34
Blue Circle	40	Lloyds Bank	50	MEPC	24
Boots	17	"Lots"	3	Peachey	17
Bowaters	22	London Brick	10	Samuel Props.	12
Brit. Aerospace	19	Lucas Inds.	36	Sterling Guar.	4
B.A.T.	24	"Mams"	12		
Brown (J.)	3	Mrks. & Spncr	20	**Oils**	
Burton Ord.	38	Midland Bank	42	Bristol Oil & Min.	6
Cadburys	11	N.E.I.	10	Brit. Petroleum	35
Courtaulds	11	Nat. West. Bank	55	Burmah Oil	16
Debenhams	14	P & O Dfd.	22	Charterhall	8
Distillers	20	Plessey	20	Premier	5
Dunlop	5	Racal Elect.	18	Shell	50
Eagle Star	60	R.H.M.	7	Tricentrol	20
F.N.F.C.	6½	Rank Org. Ord.	19	Ultramar	60
Gen. Accident	42	Reed Intnl.	34		
Gen. Electric	27	Sears	8	**Mines**	
Glaxo	75	T.I.	14	Charter Cons.	22
Grand Met.	30	Tesco	16	Cons. Gold	50
G.U.S. 'A'	55	Thorn EMI	55	Lonrho	8
Guardian	45	Trusthouse	16	Rio T. Zinc	50
G.K.N.	16	Turner & Newall	8		
Hawker Sidd	32	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 31

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Insurances—continued

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar. 0707 142311

Pension Funds				
EqPenFdAcc	648.0	682.1	−0.1	—
Euro Fd Acc	99.8	105.0	+0.4	—
FixedPenAcc	429.5	452.0	+2.1	—
GtMnPnAcc	254.3	267.8	+0.2	—
Intl Man Fd	257.5	271.0	−1.0	—
Jap Pen Fd	130.9	137.7	....	—
AmPnFdAc	116.6	122.7	−0.8	—
MplinPnAcc	533.3	561.4	−0.3	—

Colonial Mutual Group
24 Ludgate Hill, EC4P 4BD. 01-248 9861

Capital Life Assurance				
Key Inv Fd	—	127.95	....	—
Pcmkr Inv Fd	—	126.46	....	—
Equity Fd	109.86	115.64	....	—
Fxd Int Fd	105.63	111.21	....	—
Propty Fd	102.02	108.44	....	—
Cash Fd	101.43	106.77	....	—
Managd Fd	111.37	117.23	....	—
Col Mut Life (Pension Annuities)				
MdPnCpA'B	99.30	104.54	....	—
MdPnInvA'B	99.57	104.82	....	—

Commercial Union Group
St Helens 1 Undershaft. EC3. 01-283 7500

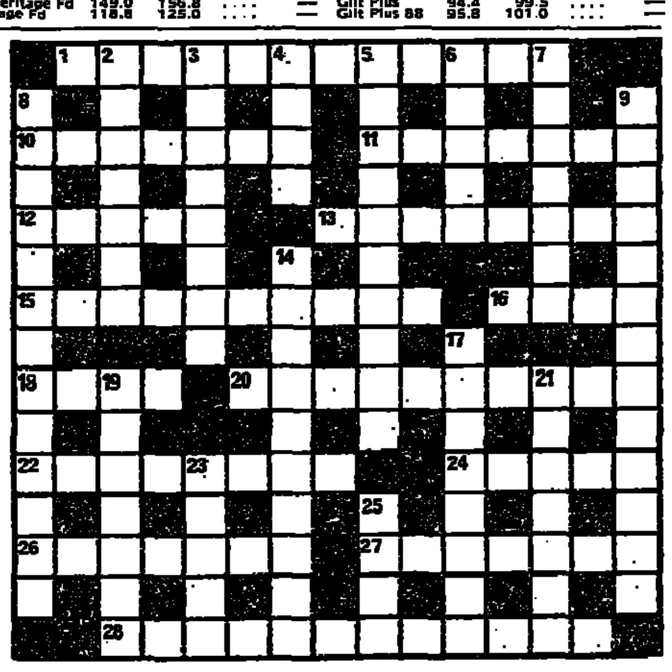
VarAmAcFb18	—	157.86	....	—
VarAnnFb24	—	34.39	....	—
Prime Series—Life				
Managed	131.9	138.9	....	—
UK Equity	137.3	144.6	−0.1	—
Int Equity	128.4	135.2	....	—

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,348



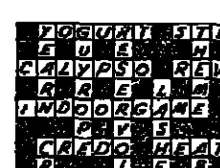
ACROSS

1 *Colourful swimmer?* (7-5)
10 Enclose old King in unusually nice surroundings (7)
11 Think a Gemini is fantastic (7)
12 *No tax* point for Eisteddford graduate (5)
13 Feeling for classical movement (8)
15 Tom returns to dwelling with terrace to get instrument (10)
16 Appear in case empty-handed (4)
18 Would we hear English and good French? (4)
20 Move on board won't *damage former capital* (10)
22 Very tense hare perhaps (8)
24 Artful occupation? (5)
26 Beginners replace Kings in proper prayer (7)
27 Lot more worried with rapid repetition (7)
28 Fliers look at Adonis (9-3)

DOWN

2 Cunning Bill takes one in, being old-fashioned (7)
3 Part of speech contains strange omen—it's an idea (8)
4 Given decoration, you're *first* to do as you're told (4)
5 3 over Buchan's steps (10)
6 It's all right for a religious creature! (5)
7 Newspaper a champion of *popular rights* (7)
8 Hedge — birds often do (3, 2, 3, 5)
9 Men on it tried a new resolution (13)
14 Gets *one's own* back by imposing import duties (10)
17 Are they in a class of their own? (8)
19 Extend beyond finished circuit (7)
21 Small room set apart for rhetoric (7)
23 After all, it shows normal intelligence (5)
25 Weapon most engineers carry (4)

Solution to Puzzle No. 5,347



INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3 01-623 1288

Black Horse Man. Fd.	250.72		...	—
Managed Inv. Fd	167.73	176.56	...	—
Property Fd	153.12	161.18	...	—
Fixed Interest Fd.	148.81	156.65	...	—
Cash Fd	137.97	145.24	...	—
Income Fd	196.83	207.19	...	—
Extra Income Fd.	188.24	198.15	...	—
Worldwide Growth Fd.	236.57	249.03	...	—
Balanced Fd	195.32	205.60	...	—
Smlr Co's & Recy. Fd	222.01	233.70	...	—
Intl. Technology Fd	270.21	284.44	...	—
Nth. Amer. & Gen. Fd.	160.43	168.88	...	—
Energy Int. Fd.	111.90	117.79	...	—
Pacific Basin Fund	160.26	168.70	...	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	116.7	122.8	...	—
Property	119.6	125.9	...	—
Equity	125.2	131.8	...	—
International	129.4	136.2	...	—
Fixed Interest	103.9	109.3	...	—
Deposit	101.1	106.4	...	—
Managed Pen. Cap.	116.4	122.5	...	—
Property Pens. Cap.	120.5	126.9	...	—
Equity Pens. Cap.	120.0	126.3	...	—
Intnl. Pens. Cap.	133.2	140.2	...	—
Fixed Int. Pens. Cap.	100.0	105.3	...	—
Deposit Pens. Cap.	98.2	103.4	...	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Jan 31	107.1		...	—
Rtmt. Fed. Jan. 6	280.3		...	—
Managed Pen Fund	187.5	197.4	...	—
Property Pen Fund	117.7	123.9	...	—
Index Lnkd Pen Fund	112.6	118.5	...	—
Managed	127.5	134.1	-0.2	—
Property	106.3	111.9	...	—
Gilt and Fixed Interest	108.5	114.3	-0.3	—
Index-Linked	97.5	102.7	...	—
Equity	127.6	134.4	-0.2	—
Cash	106.4	112.0	+0.2	—
Midland Bk. Unit Tst	125.9	132.6	-0.2	—
Midland Bank Intnl.	145.2	152.9	...	—

Cannon Assurance Ltd.
1 Olympic Way, Wembley HA9 0NB. 01-902 8876

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

G.T. Plan Bond Fund	124.0	130.6	...	—
GT Pln High Yld Fnd.	130.2	137.1	...	—
GT Plan Far East Fnd	126.1	132.8	-0.1	—
GT Plan N. Am Fd	125.6	132.3	-0.1	—
GT Pln UK&G.E. Fnd	148.5	156.4	-0.1	—
GT Pln Wrldwde Fnd.	147.7	155.5	...	—
GT Pension Bnd Fnd.	135.7	142.9	-0.1	—
GT Pen High Yld Fd.	149.7	157.6	...	—
GT Pen Far East Fd	156.0	164.3	...	—
GT Pen N. Am. Fd	176.7	186.0	-0.1	—
GT Pen UK & G.E. Fd.	171.8	180.9	-0.1	—
GT Pen Worldwide Fd.	158.6	167.0	...	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl Managed Bond	172.0	181.1	...	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc.	258.8		...	—
Portfolio Fd. Init.	210.8		...	—

See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd. B'mouth. 0202 767655

Managed Fd.	276.5	291.4	...	—
Money Fd	157.4	165.7	...	—
Equity Fd.	233.5	246.1	...	—
Fixed Int. Fd.	119.5	125.9	...	—
Property Fd.	175.4	184.8	...	—
Managed Pen. Fd.	269.2	283.7	...	—
Equity Pension Fd	175.1	184.5	...	—
Fixed Int. Pen. Fd	167.4	176.4	...	—
High Yield Pen. Fd	165.3	174.2	...	—
Money Pension Fd.	131.2	138.1	...	—
Property Pension Fd	129.3	136.2	...	—
Gresham/Framlington				
American & Gen. Fd.	223.8	235.8	...	—
Income Fd	204.1	215.1	...	—
Int'l. Growth Fd	255.8	269.5	...	—
Capital Fund	213.6	225.1	...	—
Recovery Fund	161.0	169.6	...	—
Japan & Gen Fd	96.0	101.2	...	—

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

Flexible Finance	£1,536		...	—

OFFSHORE AND OVERSEAS

WestAvon Secs (Guernsey) Ltd
PO Box 304, St Peter Port, Guernsey 0481 27963

Gld & Option Fd	£1.18	1.23	...	2.50
US $ Option	$0.77	0.82	...	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.62		-0.04	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St., Douglas IoM 0624 25015

Wren Com. Fund	21.9	22.8	...	—
Chinese Fund	60.9	63.4	...	—
Precious Metal Fund	133.3	138.7	...	—
Vanguard Cmdy Fd.	33.4	34.3	...	—
Financial Futures Fd.	60.8	63.3	...	—
Wren Intl. Fnd.*	$0.731	0.761	...	—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

Big fall in zinc stocks

BY JOHN EDWARDS

ZINC stocks held in the London Metal Exchange warehouses fell sharply again last week to the lowest level since September 1982. A decline of 5,450 tonnes reduced total zinc holdings to 72,250 tonnes, a drop of nearly 25,000 tonnes so far this year.

However, three months zinc after climbing to £680 at one stage lost ground in later trading to close at £669.25 a tonne, only £3.5 up on Friday's close.

Lead stocks were also sharply down by 7,900 tonnes reducing the total to 161,250 tonnes. But there was little reaction in the market and the three months quotation closed only £2.5 up at £294.75 a tonne.

Reuter reported from Lima that Minpeco, the Peruvian minerals export agency, denied a report from the state-owned mining company, Centromin, that it had declared force majeure on refined lead shipments on Friday. Minpeco confirmed, however, that it had declared force majeure on zinc sales for at least 10 days as a result of flooding at the Cajamarquilla refinery.

Aluminium stocks held in the LME warehouses also fell last week by 3,975 to 208,300 tonnes. So did tin by 1,055 to 37,055 tonnes, nickel by 330 to 31,932 and copper by 100 to 407,650 tonnes. LME silver holdings on the other hand rose by 90,000 to 46,600,000 ounces.

The modest decline in copper stocks was viewed as disappointing in view of predictions last week about a further outflow in deliveries from the warehouses. As a result, prices which opened on a firm note following Friday's trend in New York lost ground in later trading. Nevertheless, three months higher grade copper closed £5.75 up at £1,023.5 a tonne.

Aluminium opened on a higher note too, with the three months quotation reaching £1,067 before falling back to close at £1,057.5 a tonne.

There was little reaction on the LME tin market to the rise in the Straits price in Malaysia over the weekend by five cents to M$29.20 (£8.79) a kilo—the first time ithas been above the International Tin Agreement "floor" level of $29.15 since the beginning of January.

Wong Sulong in Kuala Lumpur: Malaysia does not think the impending introduction of tin futures trading on the Kuala Lumpur commodities Exchange would trigger off a colapse of prices.

Mr Datuk Paul Leong, the Malaysian Minister of Primary Industries, said the depressed price of tin was due to the supply and demand situation.

He was commenting on an article in the London Metal Bulletin, which suggested that the introduction of tin futures on the KLCE (sometime in May or June) could trigger off a collapse in tin prices because Malaysian tin miners are bearish about the outlook.

Mr Datuk Leong expressed confidence that the International Tin Council's buffer-stock manager would have sufficient resources to defend the floor price of M$29.15.

Shrinkage of national farm continues

BY RICHARD MOONEY

ENGLAND'S NATIONAL farm continued to shrink last year according to results of the June 1983 census, published yesterday by the Ministry of Agriculture.

Total agricultural area (excluding common rough grazing) was 9.518m hectares, down 4,000 from June 1982.

In spite of rises for wheat and winter-sown barley the total area of grain (excluding maize) was down 1.6 per cent at 3.321m hectares. Rises were recorded for plantings of potatoes (up 2.3 per cent at 142,000 ha) and oilseed rape (up 26 per cent at 218,000 ha) but plantings of all other annual crops were down and the amount of land left fallow was up 85 per cent at 86,100 ha.

Rough grazing was up 0.3 per cent at 1.193m ha and woodland was up 3.7 per cent at 183,000 ha.

The dairy herd was up 2.1 per cent at 2.373m head, the pig herd up 2.2 per cent at 6.933m and the sheep flock up 3.5 per cent at 16.001m. But the beef herd was down 3.2 per cent at 539,000 head. There was also a decline in the poultry flock of 4.4 per cent to 99.535m.

The total agricultural workforce (including farmers and their spouses) fell 0.9 per cent to 505,200.

Census results illustrate the continuing trend against the letting of farm land. The area of rented land declined 1.5 per cent to 3.962m ha while the owner-occupied total rose 1 per cent to 5.556m ha.

Far-reaching reforms in the country's tax structure will be needed to reverse this trend, according to the Royal Institution of Chartered Surveyors.

The Agricultural Holdings Bill, at present before Parliament, will do nothing to restore confidence in the landlord and tenant system, it states.

The institution urges that like owner-occupancy, letting land should be treated as a business activity.

● Agricultural land prices in the UK outstripped inflation last year for the first time since 1979, according to Farmland Market magazine published jointly by Farmers Weekly and Estates Gazette.

Farmland averaged £2,206 an acre in 1983, it says, up 13 per cent from 1982. Inflation over the same period was only 5.18 per cent.

Fishing fines set at up to £50,000

Financial Times Reporter

FISHERMEN breaking EEC rules in UK waters now risk fines of up to £50,000.

A Government order which took effect at the weekend sets fines ranging from £1,000 to £50,000 for offences such as retaining fish on board and landing fish after a quota has been exhausted. It also covers special restrictions on catching specified species.

The Government also announced that fishing in the area of the south-west fishery known as the mackerel box will be halted from midnight on March 4 for conservation reasons.

● THE Ghana Cocoa Marketing Board confirmed it purchased a combined total of 17,136 tonnes of cocoa in the eleventh and twelfth weeks of the 1983-84 maincrop season ended February 16, taking cumulative purchases for the season to 140,982 tonnes.

● WOOL PRICES are expected to remain strong at sales in Brisbane, Portland and Adelaide this week, the Australian Council of Wool Buyers said.

● AGRICULTURAL income rose by 2.4 per cent in Switzerland last year to SwFr 5.42bn (£2.55bn), according to the Swiss Farmers' Secretariat. This reflected a similar price increase, real-term production having remained at the 1982 level.

● ZIMBABWE burley tobacco growers are expected to harvest 5m kilos (11.02m lb) this season, according to a leading exporter.

● U.S. roastings of green coffee in the week ended February 11 rose to about 370,000 (60 kilos) bags, including that used for soluble production, from about 350,000 bags in the corresponding week last year, George Gordon Paton said.

● THAI rice exports rose to 3.7m tonnes in 1983 from 3.6m in 1982, Thailand's Board of Trade said.

Bumper year for Spanish citrus farmers

A record harvest of quality is promised. A correspondent reports

SPAIN'S citrus industry is puzzled. Production for 1983-84 looks like reaching a record 3.5m tonnes compared with an average in recent years of less than 3m, yet quality has not suffered at the hands of quantity. Indeed, it has seldom been better.

Exports promise to be the highest for 20 years, about 2.2m tonnes, but although market prices are not pleasing the producers, British consumers have shown little enthusiasm for the chance to buy more and better fruit for less money.

The likeliest reason for the escalation of yields this seans, which has taken Spaniards by surprise, is that last year's climatic freeze stimulated blossoming as trees compensated for the bad year.

The British market's reluctance to explain the combination of quantity and quality is less easy to explain, particularly while the Spanish Citrus Management Committee, representing 530 exporters, has been entertaining a group of Britons.

Venerable though the industry may be, it is far from taking for granted the £460m or so that its exports will earn this year from the 25 or more countries which receive them.

The British visitors began their week with a tour of Spain's foremost citrus research establishment, known as Crida, near Valencia, for a glimpse of the work done in the laboratories from which the industry seeks help in keeping existing customers and winning new ones.

According to Dr Luis Navarro, its director, Crida has paid for itself many times over. For example, it has brought the citrus industry, almost 100 per cent of whose trees were only a few years infected with virus diseases like tristeza, to the point where al 3lm plants produced annually by Spain's 10 registeded nurseries are now guaranteed free of infection.

This is thanks to a programme of producing, by means of micro-grafting, budwood for reworking resistant scions on to existing stocks.

Crida, now reaping the benefits of work initiated before the turn of the century, and helped by an international exchange of knowledge, is attacking a variety of problems related to satisfying not just the producer's needs but ultimately the more important needs of the markets.

A problem which occurs in Britain and elsewhere is an unevenness in the supply of citrus over the season, resulting at its worst in a gap in deliveries after the easy-peelers and Navels are finished in about March and before the Valencias start in any volume.

Clementines, which belong to the mandarin group whose popularity is growing faster than any other type of citrus on the British market, are being relied upon to bridge much of the gap. Production of them trebled this season and exports doubled. Thanks to the propagating of mutations, improvements in picking techniques, new storage processes and other factors, Clementines are this year being harvested two or three weeks later than they once were and it is hoped that within five years their availability will extend into April.

At the other end of the easy-peeler season, satsumas are being picked earlier than before.

At Crida some 30 new strains of familiar citrus types are being tested for longer and higher yields in conjunction with all the other qualities on which today's buyers insist.

Waxing has long been used to prolong the post-harvest life of citrus fruit, but experiments with high-density polythene wrapping promises to supersede that method.

Little has been done yet with polythene commercially, but Crida showed oranges that had been so wrapped for more than a year at 1 degree F, looked perfect and had suffered a weight loss of only 2 per cent rather than what would otherwise have been 20 per cent. It is thought that within 10 years such wrapping will be general.

Improvements in methods of irrigation, soil cultivation, weed control, fertilisation and pruning are also occupying the Spanish scientists. Inspections for quality-control over fruit for export have never been stricter.

On the marketing side, a problem that has not yet been solved and to which reference was made by the British visitors, is that of retail promotion, in which Spain lags behind such other suppliers as South Africa, Israel and Morocco. The Spania label has been established effectively enough with the British fruit trade, but whatever impact it might have at that level is lost in the shops, where a Spanish orange has nothing to indicate its origin to the consumer.

Modest recovery in tea auction prices

BY OUR COMMODITIES EDITOR

THE RECENT slide in tea prices was halted at the London weekly auction yesterday, when the market staged a modest recovery. Quality tea prices rose by 5p to 305p a kilo; medium were unchanged at 260p; and low medium grades gained 10p to 220p.

Brokers said there was stronger, more general, demand. Buying interest was thought to have been stimulated in London by dearer prices at the Mombasa auction in Kenya earlier in the day. At the same time the world shortage of tea supplies remains, aggravated by India's decision in December to halt the exports of CTC (cut, tear and curl) teas.

At the same time there is a feeling that the auctions were in danger of falling too low, just as they rose too much in January when quality tea prices reached a record 375p a kilo and the all-tea average a peak of more than 317p. This week the all-tea average is expected to be some 3p up at around 260p.

There has been no change in the fundamental supply-demand picture. Production remains below consumption and there is still a world shortage of tea, so brokers could see no reason for the recent decline to continue much further downwards.

Reuter reports from New Delhi: India's Tea Board has allowed traders to honour until March 31 export contracts for CTC packet tea signed before the ban imposed on December 24.

The ban on CTC packet tea has been relaxed to allow traders to honour their pre-ban export commitments.

However, the ban on CTC teas is unlikely to be reviewed before April, when the new plucking season starts.

Tea planters in South India have urged the government to withdraw the ban immediately. They say this hurts South Indian planters, who grow mainly CTC tea.

Meanwhile, the tea industry in the southern Indian states of Tamil, Nadu and Kerala plans to boost production to a record 160m kilos in 1989 from the drought-hit output of 113m last year, the United Planters' Association of South India said.

PRICE CHANGES

In tonnes unless stated otherwise	Feb. 16 1984	+ or —	Month ago
Metals			
Aluminium	£1100	....	£1100
Free Mkt	$1550/1560	—10	$1580/610
Copper			
Cash h Grade	£1003.75	+4.75	£963.5
3 mths	£1023.5	+5.75	£987.25
Cash Cathode	£990.75	+4.75	£951
3 mths	£1011.25	+5.0	£973
Gold troy oz.	$385.45	+2.2	$370.625
Lead Cash	£286.75	+1.75	£275.5
3 mths	£294.75	+2.5	£284.75
Nickel	£5025.64	....	£4945
Free Mkt	205/225c	....	208/228c
Palladium oz.	$160.75	+1.5	$157.5
Platinum oz.	£270.75	+1.8	£267.65
Quick silver†	$290/300	....	$302/308
Silver troy oz	631.60p	+6.15	585.20p
3 mths	645.95p	+6.7	597.90p
Tin cash	£8667.5	+12.5	£8630
3 months	£8792.0	+19.5	£8775.5
Tungsten	$75.07	....	$74.41
Wolfram 22.04 lb	$75/79	+0.5	$74/77
Zinc	£675.5	+4.5	£696.5
3 mths	£669.25	+3.5	£688.25
Producers	$1,050	....	$980

	Feb. 16 1984	+ or —	Month ago
Oils			
Coconut (Phil)	$1205u	—5	$1110
Groundnut	‡	....	‡
Linseed Crude	£397	—31	£444
Palm Malayan	$700x	....	$850
Seeds			
Copra Phil	$755w	....	$720
Soyabean (U.S.)	$290.3y	....	$304.75
Grains			
Barley Fut. May	£120.85z	+0.25	£118.95
Maize	£147.00	....	£147.00
Wheat Fut. May	£124.55z	+0.10	£118.80
No2 Hard Wint	‡	....	‡
Other commodities			
Cocoa ship't*	£1818	....	£2010
Futures May	£1739.5	+8.0	£1976.5
Coffee Ft. May	£1934.0	—14.5	£2097.5
Cotton A Index	86.65c	+0.1	88.05c
Gas Oil Mar	$243.75	—0.75	$255.75
Rubber (kilo)	83p	....	87.5p
Sugar (raw)	£113vu	—2.5	£133
Wooltops 64s	472	....	454

‡ Unquoted. u April. z March. x May. v Feb-March. w March-April. † Per 75 lb flask. * Ghana cocoa. n Niminal. c Cents per pound.

LONDON OIL

Stronger physicals failed to move a very quiet market. Prices stayed in a narrow range throughout the day, reports Premier Man.

CRUDE OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per brl		
Mar	—	—	—
Apr	30.50-29.50	—	—
May	30.09-29.40	—	—
June	29.90	+0.60	29.90
July	29.90-28.90	—	—
Aug	29.90-28.50	—	—

Turnover: 4 (34) lots of 1,000 barrels.

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb	244.50	-0.50	245.00-244.25
Mar	243.75	[illegible]	244.00-243.25
April	239.75	[illegible]	240.75-238.50
May	237.00	-0.25	237.75-237.00
June	236.75	+0.25	236.75-236.50
July	238.00	+1.25	238.00-237.50
Aug	240.00	-0.50	239.00-238.00
Sept	242.25	[illegible]	[illegible]
Oct	246.50	[illegible]	246.00

Turnover: 346 (1,899) lots of 100 tonnes.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.40-28.50	—
Iranian Light	27.60-27.65	-0.03
Arab Heavy	26.35-26.45	—
North Sea (Forties)	29.50-29.55	-0.03
North Sea (Brent)	29.60-29.75	+0.05
African (Bonny Lt'ht)	29.65-29.80	+0.05
PRODUCTS—North West Europe ($ per tonne)		
Premium gasoline	269-272	—
Gas Oil	252-255	+1.5
Heavy fuel oil	171-173	—

GOLD MARKETS

Gold rose $2.20 an ounce from Friday's close in the London bullion market yesterday to finish at $385.20-385.70. The metal opened at $384½-384¾ and traded between a high of $385½-385¾ and a low of $384-384½.

In Frankfurt the 12½ kilo bar was fixed at DM 33,305 per kilo ($382.94 per ounce) against DM 33,065 ($382.97) and closed at $383½-386 from $382-382½.

In Paris the 12½ kilo bar was fixed at FFr 102,500 per kilo ($384.50 per ounce) in the afternoon compared with FFr 102,500 ($384.26) in the morning and FFr 101,750 ($382.37) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $384.25.

In Zurich gold closed at $385½-386 from $382-382½.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Feb	385.55-86.00	+4.75	—
April	390.60-91.00	+4.55	391.20-87.10
June	396.40-96.80	+4.50	[illegible]
Aug	402.10-02.50	+4.50	402.50-92.50
Oct	408.50-10.50	+3.50	—
Dec	415.50-17.50	+3.70	—

Gold Bullion (fine ounce)	Feb. 20	Feb. 17
Close	$385¼-385¾ (£266¼-266¾)	$383-383½ (£264¾-265¼)
Opening	$384¼-384¾ (£265¼-265½)	$382¼-382¾ (£264-264½)
Morning fixing	$384.90 (£265.999)	$383 (£264.360)
Afternoon fixing	$385.25 (£266.149)	$383.15 (£264.360)

Gold and Platinum Coins Feb. 20			
Krugrnd	$396¼-397¼ (£274¼-275)	King Sov	$91¼-93¼ (£63¼-64½)
½ Krug.	$204¼-205½ (£141¼-142)	Victoria Sov	$91¼-93¼ (£63¼-64½)
¼ Krug.	$104¼-105¼ (£72¼-72½)	French 20s	$76¼-78 (£52½-54)
1/10 Krug.	$42¼-43¼ (£29½-30)	50 Pesos Mex	$474-476 (£327½-329¼)
Mapleleaf	$396¼-397¼ (£274¼-274½)	100 Cor. Aust.	$372-374 (£257¼-258½)
New Sov	$90¼-91½ (£62½-63½)	$20 Eagles	$540-550 (£373¼-380¼)
½ New Sov	$54¼-55 (£37½-38)	Noble Plat	$402¼-407¼ (£278¼-281¾)

EUROPEAN MARKETS

ROTTERDAM, Feb 20. Wheat—(U.S. $ per tonne): U.S. Two Red Winter March 162, April 162, May 152, July 15-July 15 144: U.S. Two Northern Spring 14 per cent protein Feb 190, March 189.50, April-May 174, May 173, June 173, July 171, Aug 168, Sept 168, Oct 169; U.S. Three Amber Durum April-May 198, June 137, July 195, Aug 192, Sept 175, Oct 176, Nov 181; Canadian One Western Amber Durum April-May 201, June 200, Nov 197.

Maize—(U.S. $ per tonne): U.S. Three Yellow Feb 152, March 158.50, April 149.50, May 150, June 150.50, July-Sept 148.50, Oct-Dec 132 sellers; Argentine Plate April 161, April-June 150 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports March 290.30, April 290.80, May 291.50, June 292.60, July 294.80, Aug 296.50, Sept 291, Oct 277.90, Nov 277.90, Dec 281.50, Jan 285.50, Feb 290.30 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 223, Feb 222, March 224, April 225, April-Sept 230, Nov-March 234 sellers; Pellets Brazil afloat 238, March 235, April-May 236, April-Sept 236, Oct-Dec 245 sellers; Pellets Argentine afloat 230, Feb-March 230, May-Sept 230 sellers.

SUGAR—(FFr per tonne): May 1558/1560, Aug 1670/1673, Oct 1740/1755, Dec 1815/1835, March 1965/1975, May 2026/2040.

PARIS February 20

COCOA (FFr per tonne): March 2095/2065, May 2103/2107, July 2090 bid, Sept 2145/2154, Dec 2136/2145, March 2110 bid, May 2110 bid.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES edged higher on the London Metal Exchange, although turnover was restricted by the absence of any American interest—U.S. markets were closed for George Washington Day. Copper touched £1,027 but eased back to close at £1,023.5 following the smaller than expected stocks decline, while Lead and Zinc closed at £294 and £669.5 respectively. Tin moved ahead to £8,815 in early pre-market trading, owing to chartist buying interest, but reverted to £8,767.5 at the close.

COPPER

Amalgamated Metal Trading reported that in the morning three months Higher Grade traded at £1,026, 25.50, 25, 24.50, 24. Cathodes: Three months £1,012. Kerb: Higher Grade: Three months £1,024. Afternoon: Higher Grade: Three months £1,024. Kerb: Higher Grade: Three months £1,024, 23.50, 24. Turnover: 22,675 tonnes. U.S. Producers 65.50-72 cents per pound.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grde	£	£	£	£
Cash	1003.5-.5	+5.5	1003.5-4	+4.75
3 months	1023.5-4.5	+6	1023-4	+5.75
Settlem't	1003.5	+5.5	—	—
Cathodes				
Cash	991.5-2.5	+5	990-1.5	+4.75
3 months	1011.5-2	+5.5	1011-.5	+5
Settlem't	992.5	+5	—	—

TIN

Tin—Morning: Standard: Cash £8,620, 25, 30, three months £8,780, 75, 70, 65, 60, 61, 60. High Grade: Cash £8,670. Kerb: Standard: Three months £8,775, 70. Afternoon: Standard: Three months £8,775, 80, 75, 70, 66, 65. High Grade: [illegible]. Kerb: Standard: Three months £8,765, 70. Turnover: 2,000 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grde	£	£	£	£
Cash	8670-5	+65	8665-70	+12.5
3 months	8780-5	+85	8790-4	+19.5
Settlem't	8675	+65	—	—
Standard				
Cash	8625-30	+47	8630-30	+12.5
3 months	8760-1	+48	8765-6	+19.5
Settlem't	8630	+48	—	—
Straits E.	$29.20	+0.05	—	—

LEAD

Lead—Morning: Cash £284.75, 85, three months £295, 95.50, 94.50, 94, 93.50, 94. Kerb: Three months £294.50, 94.50. Afternoon: Three months £294.50, 94. Kerb: Three months £294.50. Turnover: 7,350 tonnes. U.S. Spot 24-28 cents per pound.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	285-.6	+1.75	285.5-6	+1.75
3 months	294.75-5.25	+2.25	294.5-5	+2.5
Settlem't	285.5	+1.75	—	—

ZINC

Zinc—Morning: Three months £676, 76, 77. Kerb: Three months £676, 75, 74.50, 74, 74.50. Afternoon: Three months £675, 72.50, 72, 70, 67, 68, 69, 69.25. Kerb: Three months £669, 68, 69, 70, 69. Turnover: 8,850 tonnes. U.S. Prime Western 49.50-51.75 cents per pound.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	684.5	+13.7	675-6	+4.5
3 months	676-.5	+11	669-.5	+3.5
Settlem't	684.5	+13.7	—	—

ALUMINIUM

Aluminium—Morning: Cash £1,035, three months £1,066, 67, 65, 64.50, 64, 63. Kerb: Three months £1,063, 62, 61. Afternoon: Three months £1,062, 61, 58, 57. Kerb: Three months £1,058, 59, 59.50, 59. Turnover: 10,500 tonnes.

Aluminium	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	1038.5-9	+5.25	1033-.5	-1
3 months	1062.5-3	+6.25	1057-8	-.5

TEA AUCTIONS

[illegible] packages were on offer, including 4,000 in the offshore section. Assams sold readily with colourly sorts. East Africans were generally firm to dearer with planter kinds showing little change. Offshore teas generally sold at good levels with a strong and general demand. Quotations: quality 305p a kg (300), medium 260p a kg (260), low medium 220p a kg (210).

NICKEL

Nickel—Morning: Cash £3,214, three months £3,290, 85. Kerb: Three months £3,285. Afternoon: Three months £3,285, 83, 82, 80. Kerb: Three months £3,280. Turnover: 1,854 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3215-20	-5.5	3200-10	+10
3 months	3285-90	-15	3280-4	+17

SILVER

Silver was fixed 6.15p an ounce higher for spot delivery in the London bullion market yesterday at 631.6p. U.S. cents equivalents of the fixing levels were: spot 913.3c, up 9.3; three-months 935.8c, up 10.2c; six-month 959.9c, up 11.2c; and 12-month 1,009.5c, up 11.4c. The metal opened and closed at 632¼-635¼ (915-918c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	631.60p	+6.15	632.5p	+5.5
3 months	645.95p	+6.70	647.25p	+5.5
6 months	660.85p	+7.00	—	—
12 months	691.00p	+6.80	—	—

LME—Silver (2,000 oz contract): cash 632.5p (627p); three months 647.25p (642p). Turnover: 2 (4). Turnover: 25 (113) lots of 10,000 oz. Morning: large three months 647.5, 47.0, 47.5. Afternoon: large three months 648.0, 47.5, 48.0, small three months 647.5. Kerb large three months 648.0.

COCOA

After a weaker than expected morning the market rallied during the afternoon in light trade to close posting small gains. Manufacturers and origins were withdrawn, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1740-43	+2.5	1747-15
May	1732-40	+8.0	1751-17
July	1742-46	+13.5	1760-18
Sept	1736-37	+12.0	1750-13
Dec	1725-29	+8.5	1735-06
March	1717-24	+4.0	1730-05
May	1712-20	+12.5	1722-00

Sales: 5,151 (6,436) lots of 10 tonnes. ICCO indicator prices (U.S. cents per pound). Daily prices for Feb 20: 114.75 (110.47); five-day average for Feb 20: 114.75 (118.05).

COFFEE

In thin conditions prices moved higher during a quiet opening, reports Drexel Burnham Lambert. Light trade selling in May prompted a slight retracement but values remained steady throughout the afternoon until the close when further pressure in May triggered a weaker finish.

COFFEE	Yest'day's Close	+ or —	Business Done
	£ per tonne		
March	2064-66	+3.5	2070-55
May	1933-35	-16.5	1953-34
July	1910-11	+4.0	1915-05
Sept	1851-52	+8.0	1860-48
Nov	1779-80	-2.5	1784-77
January	1745-46	-1.5	1750-40
March	1718-20	+10.0	—

Sales: 1,460 (5,976) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for February 17: Comp. daily 1979 142.13 (142.4). 15-day average 140.4 (140.28).

GRAINS

Old crop markets continued to improve on better physical trade, with good shipper and merchants buying. Profit taking was evident throughout the day with spot wheat under pressure ahead of trend and market falling back on close. New crops were quietly steady, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yest'rd'ys close	+ or —
Mar	122.30	-0.35	119.70	+0.25
May	124.55	+0.10	120.85	+0.25
July	126.50	+0.25	—	—
Sept	109.55	+0.25	106.20	—
Nov	112.45	+0.15	109.25	—
Jan	115.15	+0.20	112.25	-0.15

Business done—Wheat: March 122.75-2.30, May 124.95-4.55, July 126.6-6.30, Sept 109.65-9.30, Nov 112.40-2.30. Sales: 419 lots of 100 tonnes. Barley: March 119.90-9.50, May 120.90-0.35, Sept 106.20-6.10, Nov 109.20, Jan 112.1. Sales: 239 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed wheat: Eastern 120.60, E. Mids 120.70, Scotland 124.60. The UK monetary coefficient for the week beginning Monday February 27 (based on HGCA calculations using 4 days' exchange rates) is expected to remain unchanged.

LONDON GRAINS—Wheat: U.S. Dark Hard Winter 13½ per cent Feb 140.75, March 141.75, April-May 130.50, May 130.50, June 130 East Coast. English Feed fob March 126.5, April 128 sellers. Maize: U.S.-French first half March 147. Rest unquoted.

POTATOES

Good export figures from Holland raised prices in Amsterdam and Holland initially, but buying support was not maintained and both markets slipped back. Renewed interest in London after Dutch close recovered values reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
April	201.90	200.00	205.50-197.5
May	234.70	223.20	225.00-228.0
Nov	78.50	78.50	—
Feb	88.00	88.00	—
April	107.50	105.40	108.00

Sales: 519 (661) lots of 40 tonnes.

RUBBER

No. 1 R.S.S.	Yesterday's Close	Previous close	Business Done
	£ per tonne		
Mch	815-840	825-845	—
Apr	820-840	833-840	—
Apl-Jne	830-851	835-837	825-824
Jly-Sept	862-863	867-868	861-857
Oct-Dec	875-876	883-884	876-872
Jan-Mch	892-896	895-900	890
Apl-Jne	905-915	911-920	—
Jly-Sept	927-930	927-929	922
Oct-Dec	935-950	935-960	—

Sales: 49 (32) lots of 15 tonnes, nil (same) lots of 5 tonnes.

Physical closing prices (buyers) spot 82.25p (83.00p); March 84.25p (84.75p); April 85.25p (85.75p).

SOYABEAN MEAL

The market opened 50p up in thin trade, reports T. G. Roddick. An increase early day caused by the closure of American markets saw London close unchanged.

	Yesday's close	+ or —	Business Done
	£ per tonne		
Feb	147.50-57.50	-0.5	—
April	157.50-57.80	-0.45	158.00
June	157.00-57.50	-0.7	[illegible]
August	155.80-55.60	-0.6	[illegible]
October	151.00-53.00	-0.5	[illegible]
Dec	153.20-54.00	-0.6	[illegible]
Feb	154.00-56.00	-0.6	—

Sales: 47 (34) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £113.00 ($163.00), down £2.5 a tonne for Feb-March-April shipment. White sugar $184.00, down $5.00. The market attempted to consolidate at the lower levels, reports C. Czarnikow.

No. 4 Contract	Yesterday's close	Previous close	Business done
	£ per tonne		
Mar	117.90-17.50	120.50	120.75-16.50
May	125.50-25.75	[illegible]	[illegible]
No. 6 Contract	$ per tonne		
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Sales: 1,176 (4,087) No 6 1,878 (1,669) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £219 (—) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for Feb 17: Daily price 6.45 (6.56): 15-day average 6.77 (6.81).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 20 tonnes. Few dealings occurred with only limited offtake. Scattered operations were directed towards Middle Eastern qualities.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order, buyer, seller, business. New Zealand cents per kg. March 436, 433, untraded; May 448, 449, 448-448; Aug 476, 477, 475; Oct 472, 478, 476-476, 477, 476-476; Jan 475, 476, 476-476; May 485, 488, 485-484: August 491, 492, 495-492. Sales: 93.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business). Australian cents per kg. March 569.0, 572.0, 570.-569.0; May 584.0, 586.0, untraded; July 596.0, 602.0, untraded; Oct 580.0, 580.1, 581.0-580.1; Dec 585.2, 585.5, 586.0-585.1; March 590.0, 601.5, untraded; May 596.0, 600.0, untraded; July 620.0, 635.0, untraded. Sales: 22.

INDICES

FINANCIAL TIMES

Feb. 20	Feb. 17	M'th ago	Y'ar ago
292.93	291.72	295.71	260.46

(Base: July 1 1952=100)

REUTERS

Feb. 20	Feb. 17	M'th ago	Y'ar ago
1961.1	1961.8	1998.9	1689.7

(Base: September 18 1931=100)

MOODY'S

Feb. 17	Feb. 16	M'th ago	Year ago
1051.1	1051.8	1052.1	1083.2

(Base: December 31 1931=100)

DOW JONES

Dow Jones	Feb. 17	Feb. 16	Month ago	Year ago
Spot	138.01	137.82	137.32	138.71
Fut's	140.91	140.46	139.23	131.32

(Base: September 18 1931=100)

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 78 to 84.0; Eire forequarters 60.0 to 63.5. Veal: Dutch hinds and ends 129.0 to 132.0. Lamb: English small 88.0 to 90.0, medium 82.0 to 88.0, heavy 80.0 to 84.0; Imported: New Zealand PL 58.5 to 59.3, PX 56.0 to 56.5. Pork: English under 100 lbs 50.8 to 58.5, 100-120 lbs 47.0 to 54.5, 120-160 lbs 42.0 to 52.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.86p per kg lw (−0.41). GB—Sheep 195.59p per kg est dcw (−0.81). GB—Pigs 81.23p per kg lw (+1.23).

COVENT GARDEN—Prices for the bulk of produce in sterling per package unless stated. English produce—Apples: per pound, Cox's 0.16-0.30, Idg Red 0.14-0.18, Gold Delicious 0.10-0.12, Bramley 0.16-0.22, Spartan 0.14-0.18, Laxton 0.12-0.15. Pears: per pound, Comice 0.15-0.22, Conference 0.10-0.22. Potatoes: Whites 4.20-4.60, Edwards 5.00-5.40, Bakers 7.50-8.00. Mushrooms: per pound, open 0.50-0.65, closed 0.70-0.80. Lettuce: per tray, round 1.40-2.00. Onions: per 55-lbs 5.00-6.00. Cabbages: per 25-lbs, Celtic 2.60-2.80, Jan King 3.20-3.50. Beetroots: 28-lbs, round 1.80-2.00, long 2.60-3.00. Turnips: per 28-lbs 2.20-2.60. Swedes: 28-lbs 1.00-1.20. Parsnips: 28-lbs 2.50-2.80. Leeks: per pound 0.16-0.20. Carrots: 28-lbs 1.40-2.80. Greens: 30-lbs, Kent 4.50-5.00; Cornish 7.00. Sprouts: per pound, 0.15-0.20. Rhubarb: per pound 0.18-0.22. Tomatoes: per pound 0.55-0.60. Cauliflowers: Kent 3.50-4.00.

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: shelf cod £3.50-4.70; codlings £2.50; large haddock £4.80-5.20, medium £4.00-4.30, small £3.00-3.60; large plaice £4.00-4.70, medium £3.70-4.20, best small £2.20-3.90; skinned dogfish (large) £9.00, (medium) £6.00; lemon soles (large) £11.00 (small) £6.00; saithe £1.20-2.00.

U.S. wheat policy changes encourage more set-aside land

BY NANCY DUNNE IN WASHINGTON

MR JOHN BLOCK, the U.S. Secretary of Agriculture, caved in to election year pressures and announced on Saturday in Des Moines, Iowa, changes in the 1984 wheat programme designed to encourage U.S. farmers to keep more land out of production.

The announcement came in the wake of a prediction by the National Association of Wheat Growers that only 5 per cent of all wheat farmers would agree to participate in the programme. A Department of Agriculture plantings report last week estimated that wheat farmers would increase planted acreage by 8 per cent this year, in spite of the millions of bushels in surplus stocks.

Until Friday, when Mr Block reportedly agreed to alter the programme and to extend next week's deadline for sign-up by three weeks, the secretary had firmly resisted congressional and farm organisation pressure to make the programme's enticements more attractive. The Reagan administration has vowed to reduce farm expenditures, which soared to a record $20bn (£13.79bn) in 1983.

Last year's payment-in-kind programme and the 1983 summer drought succeeded in reducing maize and soyabean stocks dramatically. But wheat surpluses have remained large. The department last year announced a wheat programme under which farmers would receive no direct payment for leaving 30 per cent of their acreage unplanted but offered some Pik (payment-in-kind tax treatment) crops for those farmers who set aside an additional 10-20 per cent of their land.

The bait for those who participate would be a guaranteed target price of $4.45 per bushel of wheat, an enticement the department had thought would be sufficient in view of expected weak prices.

Wheat farmers and their Congressmen complained that the programme made compliance too difficult for "summer fallow" farmers, who idle part of their land anyway every year to build soil moisture. Under the changes announced by Mr Block, "summer fallow" farmers can now count some of the land they would have idled anyway as acreage set aside.

Agriculture Department officials predicted that the easier rules would double wheat programme enrolment.

"Farmers cannot afford to stay out of the 1984 programme," Mr Block said on Saturday. "Both USDA and private sector analysts say that when most farmers compare these programmes with their own operating plans, they will find participation is to their advantage."

Mr Block indicated no changes for the feed grains programme, a mere 10 per cent set aside. The National Corn Growers Association has predicted that maize farmers will "probably be maximising acres planted to corn, a development that could easily result in record corn production in 1984" and increase carry-over stocks to more than 2bn bushels in 1985.

Mid-Western legislators have been warning Mr Block that the administration is headed for deep political trouble in the farm belt, where booming production is expected to produce low prices and another round of farm recession. One Kansas senator told the Washington Post that "people out here, they're about ready to tar and feather Mr Block."

Reuter adds—The payment-in-kind (Pik) tax treatment act of 1983 will be extended to cover the 1984 Pik payments, the U.S. Treasury Department said.

In a document detailing 1985 budget proposals, the agency said Pik payments for the 1984 spring wheat crop will be treated as if the farmers had grown the grain they receive, for all income and estate tax purposes.

The agency said the effect will be to remove any tax disadvantage to participants in the 1984 Pik programme.

Without the Act, farmers would have been taxed on Pik payments when they were received, which would be in 1984. This would have resulted in farmers being taxed for both 1983 and 1984 Pik payments in the same year, the report said.

Midlands wine fair

THE MIDLANDS is to have a Fine Wine Fair this year. It will be at the National Exhibition Centre, Birmingham, from Thursday, April 5 to Monday, April 9. It will be open all five days from 11 am. Closing times are 9 pm Thursday to Saturday, and 6 pm Sunday and Monday.

Shippers and merchants will be inviting would-be connoisseurs to taste wines from all over the world. Visitors will have the opportunity to meet experts who will help both novices and students of fine wine. The Fair will mark the significance of the Midlands in the British wine consumption league, estimated at nearly 1m cases last year, and second only to the South-east.

U.S. visit for Soviet team

A TEAM of Soviet officials is expected to visit the U.S. in early March to discuss grain trade issues, including questions about the banned grain fumigan ethylene dibromide.

U.S. Agriculture Department officials said no definite commitments have been made but the visit has been discussed by Mr Daniel Amstutz, Under-Ssecretary of Agriculture, and Soviet officials.

Trade sources said the Soviet team will include representatives of the Ministries of Agriculture, Health, Procurement and Foreign Trade.

Cotton demand likely to fall

WORLD cotton consumption in the 1983-84 season is likely to be about 69.5m bales (480 lbs), 100,000 bales below last month's estimate, the U.S. Agriculture Department said.

In its world cotton situation report, the Department said the decline primarily reflects the outlook for lower U.S. domestic consumption, which has been reduced by 100,000 bales to 5.8m bales.

Pakistan appears determined to meet domestic mill requirements despite reduced domestic supplies.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm in quiet trade

The dollar was slightly firmer in very quiet foreign exchange trading yesterday. A long weekend holiday in the U.S., with banks and financial markets closed for Washington's birthday, reduced market volume to a very low level, with traders reluctant to take a view on the U.S. currency in the absence of the New York market.

After losing ground for most of last week the dollar's partial recovery was probably the result of short covering, but also reflected a slight firming in Eurodollar interest rates and speculation that U.S. rates will be kept firm by inflationary pressure from strong economic growth.

Figures on durable goods and consumer prices are due for publication this week, and are expected to confirm the strong growth indicated by other statistics released recently, and this coupled with comments by Dr Henry Kaufman of Salomon Brothers about the possibility of tighter Federal Reserve monetary policy helped to underpin the dollar.

Further Israeli involvement in the Lebanon conflict and the escalation of fighting between Iran and Iraq in the Gulf also encouraged some movement back into the dollar which rose to DM 2.6865 from DM 2.6815 against the D-mark; FFr 8.2825 from FFr 8.2550 against the French franc; SwFr 2.2060 from SwFr 2.1940 in terms of the Swiss franc; and Y233.40 from Y233.10 against the Japanese yen.

The dollar's index, on Bank of England figures, rose to 128.8 from 128.7.

STERLING — Trading range against the dollar in 1983-84 is 1.6245 to 1.3955. January average 1.4080. Trade-weighted index 82.3 throughout, compared with 82.5 at Friday's close, and 85.7 six months ago.

Sterling lost ground to the dollar, and showed mixed changes against other currencies, tending to lose some of the ground gained on Friday when the Gulf War flared up again. The pound moved within a narrow range of $1.4425-1.4480. It opened at $1.4435-1.4445, and closed at $1.4455-1.4465, a fall of 45 points on the day. Sterling also declined to DM 3.8875 from DM 3.8925, and Y337.75 from Y338.50, but rose to FFr 11.9725 from FFr 11.97, and to SwFr 3.1925 from SwFr 3.1850.

D-MARK — Trading range against the dollar in 1983-84 is 2.8425 to 2.3320. January average 2.8109. Trade-weighted index 126.3 against 125.8 six months ago.

The D-mark was generally firm at the Frankfurt fixing, but weakened slightly against the dollar. Covering of short positions after the dollar's decline for most of last week was reported to be behind the improvement of the U.S. currency, while expectations that U.S. interest rates will remain firm also provided some support. The Bundesbank did not intervene when the dollar was fixed at DM 2.6895, compared with DM 2.6847 on Friday. Sterling was fixed unchanged at DM 3.8770, but the Swiss franc fell to DM 1.2202 from DM 1.2230. Within the EMS the Belgian franc remained weak, and was fixed at an unchanged DM 4.8831 per 100 francs, just above its EMS floor of DM 4.8821.

JAPANESE YEN — Trading range against the dollar in 1983-1984 is 246.30 to 226.80. January average 233.77. Trade-weighted index 153.1, against 146.7 six months ago.

The yen lost ground to the dollar in quiet Tokyo trading, reflecting a reluctance to trade while U.S. banks were closed for a long holiday weekend.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.9335	+2.30	+1.92	±1.5447
Danish Krone	8.14104	8.18476	+0.54	+0.16	±1.6425
German D-Mark	2.24184	2.24303	+0.05	−0.33	±1.0642
French Franc	6.87456	6.91723	+0.62	+0.24	±1.4052
Dutch Guilder	2.52595	2.53115	+0.21	−0.17	±1.4964
Irish Punt	0.72569	0.728300	+0.36	−0.02	±1.6699
Italian Lira	1403.49	1387.20	−1.16	−1.16	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	Feb. 20	Prev. close
Spot	Unavailable	$1.4495-4510
1 month	Unavailable	0.08-0.09 dis
3 months	Unavailable	0.25-0.28 dis
12 months	Unavailable	1.25-1.31 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

Feb 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4425-1.4480	7.4455-1.4465	0.07-0.12c dis	−0.79	0.27-0.32dis	−0.82
Canada	1.8010-1.8070	1.8045-1.8055	0.03-0.13c dis	−0.53	0.22-0.32dis	−0.60
Nethlnd.	4.37½-4.39½	4.37¾-4.38¾	1⅛-⅞c pm	3.08	3¼-3⅛ pm	3.19
Belgium	79.40-79.80	79.50-79.60	12-22c dis	−2.56	55-65 dis	−3.02
Denmark	14.16½-14.19½	14.17¾-14.18¾	1⅞-2⅜ore dis	−1.90	5⅞-6⅞ dis	−1.80
Ireland	1.2590-1.2650	1.2610-1.2620	0.27-0.36p dis	−2.95	0.88-1.02dis	−3.01
W. Ger.	3.87½-3.90	3.88¼-3.89¼	1⅛-⅞pf pm	3.09	3½-3 pm	3.34
Portugal	192.50-194.00	193.25-193.75	260-520c dis	−24.19	690-1275ds	−20.31
Spain	221.75-222.50	222.05-222.25	165-185c dis	−9.45	515-570 dis	−9.77
Italy	2399-2406	2403-2405	14-16lire dis	−7.49	46½-48½dis	−7.90
Norway	11.06-11.10	11.08-11.09	3-3½ore dis	−3.65	9⅞-10⅞ dis	−3.63
France	11.95-12.00	11.96¾-11.97¾	4⅝-5⅛c dis	−4.76	17½-19 dis	−6.10
Sweden	11.50-11.55	11.52½-11.53½	1⅝-2⅛ore dis	−1.95	4⅞-5⅛ dis	−1.69
Japan	336-339	337½-338½	0.80-0.70y pm	2.66	2.35-2.25 pm	2.72
Austria	27.35-27.45	27.37-27.42	7½-6⅛gro pm	3.01	22⅛-19 pm	3.05
Switz.	3.17-3.20	3.18¾-3.19¾	1⅝-1⅛c pm	[illegible]	4⅞-4⅝ pm	5.64

Belgian rate is for convertible francs. Financial franc 82.25-82.35. Six-month forward dollar 0.63-0.68c dis. 12-month 1.40-1.50c dis.

THE DOLLAR SPOT AND FORWARD

Feb 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4425-1.4480	1.4455-1.4465	0.07-0.12c dis	−0.79	0.27-0.32dis	−0.82
Ireland†	1.1436-1.1480	1.1455-1.1465	0.22-0.19c pm	2.15	0.63-0.55 pm	2.06
Canada	1.2480-1.2492	1.2480-1.2485	0.03-0.01c pm	0.19	0.07-0.05 pm	0.19
Nethlnd.	3.0280-3.0380	3.0280-3.0300	1.00-0.90c pm	3.76	3.08-2.98 pm	4.00
Belgium	55.00-55.15	55.00-55.02	7-9c dis	−1.74	28-33 dis	−2.22
Denmark	9.8000-9.8250	9.8000-9.8050	par-½ore dis	−0.31	par-½ dis	−0.10
W. Ger.	2.6820-2.6930	2.6860-2.6870	0.92-0.87pf pm	4.00	2.83-2.78 pm	4.18
Portugal	133.25-134.15	133.75-134.15	175-350c dis	−23.51	450-850dis	−19.40
Spain	153.55-153.75	153.55-153.65	110-125c dis	−9.18	330-370 dis	−9.11
Italy	1661-1664½	1662½-1663½	9½-9¾lire dis	−6.86	29½-30½ dis	−7.16
Norway	7.6630-7.6730	7.6675-7.6725	1.65-2.15ore dis	−2.97	5.20-5.70dis	−2.84
France	8.2725-8.3025	8.2800-8.2850	2.65-2.85c dis	−3.98	11-11½ dis	−5.43
Sweden	7.9700-7.9875	7.9725-7.9775	0.55-1.05ore dis	−1.20	1.50-2.00dis	−0.88
Japan	233.10-233.45	233.35-233.45	0.68-0.64y pm	3.39	2.09-2.04 pm	3.54
Austria	18.92-18.98	18.92-18.93	6.10-5.50gro pm	3.67	19.25-17.25pm	3.85
Switz.	2.1940-2.2080	2.2055-2.2065	1.18-1.14c pm	6.32	3.54-3.50 pm	6.39

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 55.90-55.95.

OTHER CURRENCIES

Feb. 20	£	$		Note Rates
Argentina Peso	40.46-40.64	28.00-28.03	Austria	27.30-27.60
Australia Dollar	1.5300-1.5320	1.0585-1.0595	Belgium	81.65-82.65
Brazil Cruzeiro	1,680.0-1,839.8	1,162-1,134	Denmark	14.15-14.27
Finland Markka	8.3310-8.3470	5.7575-5.7595	France	11.95-12.05
Greek Drachma	146.40-146.80	101.25-101.55	Germany	3.86-3.90
Hong Kong Dollar	11.25¾-11.26¾	7.7895-7.7915	Italy	2370-2415
Iran Rial	126.75*	87.80*	Japan	336-341
Kuwait Dinar (KD)	0.4235-0.4245	0.2936-0.2938	Netherlands	4.35½-4.40½
Luxembourg Fr.	79.50-79.60	55.00-55.02	Norway	11.03-11.14
Malaysia Dollar	3.3720-3.3780	2.3350-2.3345	Portugal	190-205
New Zealand Dlr.	2.1830-2.1880	1.5110-1.5130	Spain	220-232
Saudi Arab. Riyal	5.0740-5.0790	3.5090-3.5100	Sweden	11.49-11.60
Singapore Dollar	3.0730-3.0790	2.1260-2.1275	Switzerland	3.17-3.21
Sth African Rand	1.7700-1.7720	1.2240-1.2255	United States	1.43½-1.45½
U.A.E. Dirham	5.3095-5.3160	3.6720-3.6730	Yugoslavia	202-207

* Selling rates.

CURRENCY MOVEMENTS

Feb. 20	Bank of England Index	Morgan Guaranty Changes%
Sterling	82.3	Unavailable
U.S. dollar	128.8	"
Canadian dollar	91.5	"
Austrian schilling	116.0	"
Belgian franc	89.9	"
Danish kroner	78.8	"
Deutsche mark	133.3	"
Swiss franc	148.6	"
Guilder	118.8	"
French franc	66.4	"
Lira	48.5	"
Yen	155.1	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.725616	0.577016
U.S. $	8½	1.04856	0.833904
Canadian $	10.00	1.30851	1.04138
Austria Sch.	3¾	19.8941	15.8275
Belgian Fr.	11	57.7435	45.9335
Danish Kr.	7	10.2963	8.18476
D'mark	4	2.82057	2.24303
Guilder	5	3.18111	2.53115
French Fr.	9½	8.69496	6.91723
Lira	16	1744.46	1387.20
Yen	5	244.495	194.500
Norwgn Kr.	8	8.04118	6.40104
Spanish Pta.	—	161.074	128.171
Swedish Kr.	8½	8.36831	6.65455
Swiss Fr.	4	2.31177	1.83776
Greek Dr'ch	20½	106.534	84.8746

* CS/SDR rate for Feb 18: 1.30917.

EXCHANGE CROSS RATES

Feb. 20	Pound St'rling	U.S. Dollar	Deutsche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.446	3.888	337.8	11.973	3.193	4.383	2404.	1.805	79.55
U.S. Dollar	0.692	1.	2.687	233.4	8.283	2.206	3.029	1663.	1.248	55.01
Deutschemark	0.257	0.372	1.	86.88	3.080	0.821	1.127	618.4	0.464	20.46
Japanese Yen 1,000	2.961	4.281	11.51	1000.	35.45	9.452	12.98	7118.	5.344	235.5
French Franc 10	0.835	1.208	3.247	282.1	10.	2.667	3.660	2008.	1.508	66.44
Swiss Franc	0.313	0.453	1.218	105.8	3.750	1.	1.372	753.0	0.565	24.92
Dutch Guilder	0.228	0.330	0.887	77.07	2.732	0.728	1.	548.5	0.412	18.15
Italian Lira 1,000	0.416	0.601	1.617	140.5	4.980	1.328	1.823	1000.	0.751	33.09
Canadian Dollar	0.554	0.801	2.154	187.1	6.633	1.769	2.428	1332.	1.	44.07
Belgian Franc 100	1.257	1.818	4.887	424.6	15.05	4.013	5.509	3022.	2.269	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 20	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	9⅛-9¼	9⅝-9⅞	9⅜-9¾	5⅞-6	1⅛-1⅝	5⅛-5⅜	12½-12¾	16-17	10¼-10¾	10¼-10¾	5¾-5⅞	10⅝-11⅛
7 days' notice	9⅛-9¼	9¾-9⅞	9⅜-9¾	5⅞-6	1⅝-1⅝	5½-5⅝	12⅝-12⅞	16-17½	11½-12	11¼-11¾	5⅝-5⅞	10½-11
Month	9¼-9⅜	9¾-10	9⅛-9⅝	5⅞-6	3⅛-3¼	5⅝-5¾	13⅝-13⅞	16¾-17½	11½-12	11½-11¾	5¾-5⅞	10⅝-10⅞
Three months	9⅜-9⅞	10-10¼	9⅞-9⅞	5⅞-6	3⅝-3⅞	5¾-5⅞	15¼-15½	17¼-17¾	12-12⅛	11⅞-12	6⅛-6½	10⅞-11⅜
Six months	9½-9⅝	10⅛-10⅜	9⅞-10⅛	6-6⅛	3⅝-3⅞	5⅞-6⅛	16¼-16¾	17⅝-17⅞	12¼-12¾	11¾-12	6⅛-6½	10⅞-11⅜
One year	9⅝-9⅞	10⅛-10⅜	10¼-10⅜	6⅛-6⅜	4-4⅛	6⅛-6⅜	15¾-16	18-18½	12¼-12¾	11¾-12	6½-6⅝	11⅛-11⅝

Asian $ (closing rates in Singapore): Short-term 9 11/16-9 13/16 per cent; seven days 9 11/16-9 13/16 per cent; one month 9¾-9⅞ per cent; three months 10-10⅛ per cent; six months 10⅛-10¼ per cent; one year 10 5/16-10 7/16 per cent. Long-term Eurodollars two years 11⅛-11¼ per cent; three years 11½-11⅞ per cent; four years 12-12⅛ per cent; five years 12⅛-12½ per cent nominal closing rates; Short-term rates are call for U.S. dollars and Japanese yen; twodaysnotice.

FINANCIAL FUTURES

Eurodollars weak

Trading was quiet on the London International Financial Futures Exchange yesterday, following the pattern shown in other financial markets where the closure of U.S. banks and markets for Washington's birthday infected Europe with a mood of inertia.

Eurodollar and long gilt futures responded to the poor trading in the U.S. on Friday, where prices of bonds and bills weakened on fears that recent signs of strong U.S. economic growth will result in tighter Federal Reserve monetary policy.

Economic statistics for January published last week however showed a much stronger economy than at the end of last year, and the market is also worried by money supply trends and indications that credit is increasing at a fast rate. The latest remarks of Dr Henry Kaufman of Salomon Brothers about possible Fed tightening also undermined confidence, and Eurodollar futures finished near the day's low.

Most activity has now moved to June, as March approaches delivery. The June contract opened at 89.54, and after touching a low of 89.50 finished at 89.51 compared with 89.59 on Friday.

Gilts also suffered from Friday's weak U.S. bond market, with March, which remains the dominant month, opening at 108-20, and falling to 108-11. A steady close to the cash market after an early decline, and optimism about the British economy, led to a slight rally however, and March gilts closed at 108-23, compared with 108-28 previously.

Short sterling deposit futures were quiet, with June finishing unchanged at 90.49, around the middle of the day's range.

The rates below for Chicago are for February 17.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	90.02	90.05	90.02	90.07
June	89.51	89.55	89.50	89.59
Sept	89.19	89.22	89.18	89.27
Dec	88.91	88.91	88.90	89.00
March	88.64	—	—	88.73

Volume 1,858 (3,960)
Previous day's open int 12,109 (12,143)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
March	90.78	90.79	90.76	90.77
June	90.49	90.51	90.46	90.49
Sept	90.30	90.30	90.26	90.27
Dec	90.11	90.12	90.11	90.12
March†	90.01	—	—	90.02

Volume 789 (977)
Previous day's open int 6,134 (5,929)
† £500,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	108-23	108-26	108-11	108-28
June	108-03	108-06	107-30	108-08
Sept	107-16	—	—	107-21
Dec	107-00	—	—	107-05
March	106-16	—	—	106-22

Volume 2,019 (2,438)
Previous day's open int 4,141 (3,932)
Basis quote (clean cash price of 13¾ Treasury 2003 less equivalent price of near futures contract) 14 to 24 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4465	1.4475	1.4449	1.4515
June	1.4495	1.4495	1.4486	1.4543
Sept	1.4527	—	—	1.4575

Volume 724 (331)
Previous day's open int 2,404 (2,389)

DEUTSCHE MARKS DM125,000 $ per DM

	Close	High	Low	Prev
March	0.3732	0.3735	0.3724	0.3746
June	0.3771	0.3775	0.3767	0.3784
Sept	0.3803	—	—	0.3816

Volume 50 (180)
Previous day's open int 478 (385)

SWISS FRANCS SwFr125,000 $ per SwFr

	Close	High	Low	Prev
March	0.4553	0.4560	0.4553	0.4581
June	0.4625	—	—	[illegible]
Sept	—	—	—	—

Volume 7 (28)
Previous day's open int 252 (227)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4296	0.4298	0.4295	0.4298
June	0.4334	—	—	0.4334
Sept	—	—	—	—

Volume 11 (150)
Previous day's open int 300 (242)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69.13	69.25	69.12	69.30
June	68.24	69.05	68.24	69.10
Sept	68.05	68.18	68.05	68.23
Dec	67.20	67.31	67.20	68.06
March	67.04	67.15	67.04	67.22
June	66.21	67.00	66.21	67.07
Sept	66.07	66.19	66.07	66.25
Dec	65.26	65.29	65.26	66.12

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	90.81	90.86	90.80	90.90
June	90.42	90.48	90.41	90.53
Sept	90.13	90.18	90.11	90.24
Dec	89.89	89.93	89.88	89.99
March	89.67	89.74	89.67	89.78
June	89.51	89.56	89.50	89.61
Sept	89.35	—	89.31	89.45
Dec	89.19	—	89.16	89.29

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
March	90.24	90.28	90.23	90.31
June	89.70	89.76	89.68	89.80
Sept	89.33	89.38	89.33	89.43

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
March	89.75	89.81	89.75	89.83
June	89.28	89.31	89.25	89.37
Sept	88.93	88.92	88.92	89.03
Dec	88.65	88.70	88.65	88.74
March	88.37	88.42	88.37	88.47
June	88.14	88.16	88.13	88.22

STERLING (IMM) Se per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

London rates slightly firmer

Interest rates had a slightly firmer tone on the London money market yesterday, but trading remained very quiet. Three-month interbank rose to 9 9/16 per cent from 9½ per cent, but discount houses buying rates for three-month bank bills remained at 8⅞-8 13/16 per cent.

The Bank of England forecast a money market shortage of £400m. Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills from Friday's tender drained £395m. The unwinding of repurchase agreements on bills absorbed £710m, and bank balances below target another 55m. These were partly offset by Exchequer transactions adding £550m to liquidity thanks to the maturity of 11¼ per cent Exchequer 1984 stock, and a fall in the note circulation of £215m.

Total assistance provided by the authorities was £464m. Before lunch the Bank of England bought £339m bills outright by way of £111m bank bills in band 2 (15-33 days) at 9 per cent; £73m bank bills in band 3 (34-63 days) at 8 13/16 per cent; £3m Treasury bills in band 4 (64-91 days) at 8⅞ per cent; and £152m banks bills in band 4 at 8⅞ per cent.

In the afternoon another £75m bills were purchased through £30m bank bills in band 2 at 9 per cent; and £45m bank bills in band 4 at 8⅞ per cent.

The Bank of England also provided late assistance of around £50m.

In Frankfurt call money rose to 5.50 per cent from 5.45 per cent, reflecting a slight shortage expected in the latter part of the month as tax payments on behalf of customers fall due. Banks held an average of DM 46.8bn in reserves at the Bundesbank during the first 16 days of February, or slightly less than required to meet month end commitments. The tax payments are expected to push call money higher before the end of the month, but market conditions remain fairly relaxed. Lombard debt fell to DM 2.7bn on Friday from DM 2.8bn on the day before.

In Paris the Bank of France left its money market intervention rate at 12 per cent, where it has been since last November when adding liquidity to the money market. Call money was slightly firmer, however, at 12⅞ per cent, compared with 12¾ per cent on Friday. The central bank has provided the assistance by buying first category paper for value today, maturing between March 1 and 30.

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

MONEY RATES

Feb. 20	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	12⅞	1-2	5¾-6	5.66625	16¾-17⅛	8.2	—
One month	5.45-5.55	12⅜-12⅛	3⅛-3¼	5⅞-6	6.21875	16⅝-17	11⅝-11⅞	12⅜-12½
Two months	5.6-5.8	12½-12⅝	—	—	—	—	—	12¼-12⅝
Three months	5.75-5.90	12½-12⅝	5 5/16-5 7/16	6-6⅛	6.28125	16⅞-17¼	11⅞-12⅛	12⅜-12½
Six months	5.85-6.00	12⅝-12¾	—	6⅛-6¼	—	—	11⅞-12⅛	12¼-12½
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	12	—	5⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Feb. 20 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	6-9¼	9⅛-9¼	7½-9⅜	6½-9⅛	—	—	—	—	—
2 days notice	—	—	9⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 day notice	—	9⅛-9¼	9⅛-9¼	9⅜-9½	9-9⅛	—	—	—	—	—
One month	9 3/16-9¼	9¼-9 5/16	9¼	9⅜-9½	9-9⅛	9	8 15/16	9-9 1/16	8 15/16-9	9⅝
Two months	9 5/16-9 7/16	9 7/16-9⅜	9 5/16	9⅝	9-9⅛	8⅞	8⅞-8 25/32	8 13/16-8 25/32	8 13/16-8 25/32	9½
Three months	9⅜-9 7/16	9⅜-9 7/16	9⅜	9⅝	9-9⅛	8⅞	8⅞	8⅞-8 13/16	8⅞-8⅞	9½
Six months	9 7/16-9⅜	9½-9 9/16	9½	—	—	—	—	8 11/16	8⅝	9 7/16
Nine months	9 9/16-9½	9⅝-9¾	9¾	—	—	—	—	—	—	—
One year	9 11/16-8 13/16	9¾-9⅞	9⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅝-9⅜	—	9 5/16	9.75-9.85	8¾-9	9⅜-9½
Two months	9¾-9½	—	9⅜	9.75-9.85	9-9¼	9 7/16-9 9/16
Three months	9¾-9½	—	9 7/16	9.8-9.9	9 3/16-9 5/16	9 9/16-9 11/16
Six months	9¼-9	—	9½	10.0-10.1	9½-9⅝	9¾-9⅞
Nine months	9⅞-9⅝	—	9 11/16	10.1-10.3	—	—
One year	9⅞-9⅝	—	9 13/16	10.25-10.45	9½-9¾	10-10 1/16
Two years	—	10½	—	—	—	—
Three years	—	10¾	—	—	—	—
Four years	—	10⅞	—	—	—	—
Five years	—	10 15/16	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period January 4 to February 7 1984 (inclusive): 9.493 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association): 9½ per cent from February 1 1984. London and Scottish Clearing Bank Rates for lending 9 per cent. London Deposit Rate for sums at seven days' notice 5½ per cent. Treasury Bills: Average tender rates of discount 8.8550 per cent. Certificate of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9¾ per cent; one-three months 9½ per cent, three-six months 9¾ per cent; six-12 months 10¼ per cent. Under £100,000 9¾ per cent from February 6. Deposits held under Series 4-5 10¼ per cent. The rate for all deposits withdrawn for cash 5 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11
Broker loan rate	10¾-10½
Fed funds	—
Fed funds at intervention	—

Treasury Bills

One month	—
Two month	—
Three month	—
Six month	—
One year	—

Treasury Bonds

Two year	—
Three year	—
Four year	—
Five year	—
Seven year	—
10 year	—
30 year	—

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. February 20)

3 months U.S. dollars: bid 10 1/16 | offer 10 3/16

6 months U.S. dollars: bid 10 3/16 | offer 10 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 20 1984. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

Country	Currency	Value of £ Sterling
Afghanistan	Afghani	99.00
Albania	Lek	10.16
Algeria	Dinar	7.1075
Andorra	French Franc	11.9725
	Spanish Peseta	222.15
Angola	Kwanza	(CM) 45.4115
Antigua	E. Caribbean $	3.90
Argentina	New Peso	40.50
Australia	Australian $	1.5310
Austria	Schilling	27.395
Azores	Portug'se Escudo	193.50
Bahamas	Ba. Dollar	1.4460
Bahrain	Dinar	0.5405
Balearic Isles	Spa. Peseta	222.15
Bangladesh	Taka	35.90
Barbados	Barbados $	2.8920
Belgium	B. Franc	(cm) 79.55 (fn) 80.85
Belize	B.$	2.8920
Benin	C.F.A. Franc	598.625
Bermuda	Bda $	1.4460
Bhutan	Indian Rupee	15.20
Bolivia	Bolivian Peso	(O) 723.0
Botswana	Pula	1.6670
Brazil	Cruzeiro	1,634.9
Brit. Virgin Isles	U.S. $	1.4460
Brunei	Brunei $	3.0760
Bulgaria	Lev	1.4080
Burma	Kyat	11.5901
Burundi	Burundi Franc	167.635
Cameroon	C.F.A. Franc	598.625
Canada	Canadian $	1.8050
Canary Islands	Spanish Peseta	222.15
Cape Verde Is.	Cape V. Escudo	115.6
Cayman Islands	Cay. Is. $	1.2050
Cent.Afr. Republic	C.F.A. Franc	598.625
Chad	C.F.A. Franc	598.625
Chile	Chilean Peso	127.33
China	Renminbi Yuan	2.9885
Colombia	Col. Peso	(F) 133.30
Comoro Islands	C.F.A. Franc	598.625
Congo (Brazzaville)	C.F.A. Franc	598.625
Costa Rica	Colon	(U) 62.70
Cuba	Cuban Peso	1.2545
Cyprus	Cyprus £	0.806
Czechoslovakia	Koruna	(com) 9.40 (nc) 16.66 (T) 10.56
Denmark	Danish Kroner	14.1775
Djibouti	Djibouti Franc	250
Dominica	E. Caribbean $	3.90
Dominican Repub.	Dominican Peso	(U) 1.4460 (F) 2.3815
Ecuador	Sucre	(O) 81.75 (F) 130.80
Egypt	Egyptian £	(U) 1.20
Equatorial Guinea	Ekuele	444.3
Ethiopia	Ethiopian Birr	(F) 2.9900
Falkland Islands	Falkland Is. £	1.0
Faroe Islands	Danish Kroner	14.1775
Fiji Islands	Fiji $	1.4945
Finland	Markka	8.3390
France	French Franc	11.9725
French C'ty in Af.	C.F.A. Franc	598.625
French Guiana	Local Franc	11.9725
French Pacific Is.	C.F.P. Franc	213 (ag)
Gabon	C.F.A. Franc	598.625
Gambia	Dalasi	4.00
Germany (East)	Ostmark	3.8875
Germany (West)	Deutsche Mark	3.8875
Ghana	Cedi	43.389
Gibraltar	Gibraltar £	1.0
Greece	Drachma	146.60
Greenland	Danish Kroner	14.1775
Grenada	E. Caribbean $	3.90
Guadaloupe	Local Franc	11.9725
Guam	U.S. $	1.4460
Guatemala	Quetzal	1.4460
Guinea	Syli	34.066
Guinea-Bissau	Peso	116.00
Guyana	Guyanese $	5.4205
Haiti	Gourde	7.23
Honduras	Lempira	2.90
Hong Kong	H.K. $	11.2635
Hungary	Forint	66.19(1)
Iceland	I. Krona	42.3634
India	Indian Rupee	15.20
Indonesia	Rupiah	1,433.45
Iran	Rial	126.75(ag)
Iraq	Iraqi Dinar	0.45105
Irish Republic	Irish £	1.2615
Israel	Shekel	189.30
Italy	Lira	2,404.0
Ivory Coast	C.F.A. Franc	598.625
Jamaica	Jamaica Dollar	4.9161
Japan	Yen	337.75
Jordan	Jordanian Dinar	0.558
Kampuchea	Riel	N/A
Kenya	Kenya Shilling	19.775
Kiribati	Australian $	1.5310
Korea (Nth)	Won	1.3655
Korea (Sth)	Won	1,153.6
Kuwait	Kuwaiti Dinar	0.4240
Laos	New Kip	50.60
Lebanon	Lebanese £	8.6850
Lesotho	Maluti	1.7710
Liberia	Liberian $	1.4460
Libya	Libyan Dinar	0.4280
Liechtenstein	Swiss Franc	3.1925
Luxembourg	Lux Franc	79.55
Macao	Pataca	11.69
Madeira	Portug'se Escudo	193.50
Malagasy Republic	MG Franc	682.50
Malawi	Kwacha	1.90
Malaysia	Ringgit	3.3750
Maldive Islands	Rufiyaa	10.9175
Mali Republic	Mali Franc	1,197.25
Malta	Maltese £	0.641
Martinique	Local Franc	11.9725
Mauritania	Ouguiya	82.40
Mauritius	M. Rupee	18.22
Mexico	Mexican Peso	(F) 241.75
Miquelon	Local Franc	11.9725
Monaco	French Franc	11.9725
Mongolia	Tugrik	4.75 (n)
Montserrat	E. Caribbean $	3.90
Morocco	Dirham	11.23(sg)
Mozambique	Metical	(A) 50.30
Namibia	S.A. Rand	1.7710
Nauru	Australian Dollar	1.5310
Nepal	Nepalese Rupee	22.75
Netherlands	Guilder	4.3825
Netherland Antilles	Antillian Guilder	2.5885
New Zealand	N.Z. Dollar	2.1855
Nicaragua	Cordoba	14.45
Niger Republic	C.F.A. Franc	598.625
Nigeria	Naira	1.066737(sg)
Norway	Norwegian Krone	11.085
Oman Sul'ate of	Rial Omani	0.494
Pakistan	Pakistan Rupee	19.40
Panama	Balboa	1.4460
Papua N. Guinea	Kina	1.2360
Paraguay	Guarani	(O) 182.15 (F) 231.28
Peru	Sol	exc(A) 3,500.03
Philippines	Philippine Peso	19.95
Pitcairn Islands	£ Sterling / New Zealand $	2.1855
Poland	Zloty	138.42
Portugal	Portug'se Escudo	193.50
Puerto Rico	U.S. $	1.4460
Qatar	Qatari Ryal	5.2115
Reunion Island	French Franc	11.9725
Romania	Leu	(Cm) 6.57 (Nc) 20.14
Rwanda	Rwanda Franc	139.515
St. Christopher	E. Caribbean $	3.90
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	3.90
St. Pierre	Local Franc	11.9725
St. Vincent	E. Caribbean $	3.90
Salvador El	Colon	3.615
Samoa American	U.S. $	1.4460
San Marino	Italian Lira	2,404.0
Sao Tome & Prin.	Dobra	62.46
Saudi Arabia	Saudi Ryal	5.0765
Senegal	C.F.A. Franc	598.625
Seychelles	S. Rupee	9.81(sg)
Sierra Leone	Leone	3.075
Singapore	Singapore $	3.0750
Solomon Islands	Solomon Is. $	1.7480
Somali Republic	Somali Shilling	25.40
South Africa	Rand	1.7710
Spain	Peseta	222.15
Spanish ports in North Africa	Peseta	222.15
Sri Lanka	S.L. Rupee	36.40
Sudan Republic	Sudan £	(U) 1.9025
Surinam	S. Guilder	2.5885
Swaziland	Lilangeni	1.7710
Sweden	S. Krona	11.53
Switzerland	Swiss Franc	3.1925
Syria	Syrian £	(U) 5.6760
Taiwan	New Taiwan $	58.05
Tanzania	Tan. Shilling	17.275 (sg)
Thailand	Baht	33.10
Togo Republic	C.F.A. Franc	598.625
Tonga Islands	Pa'anga	1.5310
Trinidad	Trinidad & Tob $	3.4705
Tunisia	Tunisian Dinar	1.026(sg)
Turkey	Turkish Lira	446.71
Turks & Caicos	U.S. $	1.4460
Tuvalu	Australian $	1.5310
Uganda	Uganda Shilling	(O) 326.40 (F) 417.50
United States	U.S. Dollar	1.4460
Uruguay	Uruguay Peso	67.43
Utd. Arab Emirates	U.A.E. Dirham	5.3125
U.S.S.R.	Rouble	1.1372
Upper Volta	C.F.A. Franc	598.625
Vanuatu	Vatu	146.25
Vatican	Italian Lira	2,404.0
Venezuela	Bolivar	(O) 7.43 (6) 14.35 (6) 18.21 (D) 14.32
Vietnam	Dong	19.40
Virgin Islands U.S.	U.S. Dollar	1.4460
Western Samoa	Samoan Tala	(A) 2.31
Yemen (Nth)	Ryal	6.61 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.4950
Yugoslavia	New Y Dinar	179.3410
Zaire Republic	Zaire	44.4046
Zambia	Kwacha	2.30
Zimbabwe	Zimbabwe $	1.6070

* Rate is the transfer market (controlled). (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicant. (4) Preferential rate for public sector debt and essential imports. (5) Government controlled for non-essential imports. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate.

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 20.

Asian Development Bank seeks £100m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE ASIAN Development Bank is raising £100m through a 25-year bulldog bond launched yesterday in the British domestic market through S. G. Warburg, the merchant bankers.

This will mark the first time that the bank has tapped the bulldog market. The issue is also unusual in that the borrower intends to price the issue at the maximum discount permitted by the Bank of England.

Under Bank of England rules, sovereign borrowers and supranational institutions raising money in the bulldog bond market may price their issues at a discount only to the extent that it does not exceed ½ percentage point for each year of the bond's life. In this case the lowest possible issue price would be 87½.

The bond, which will thus benefit from being the closest to a "deep discount" issue that the bulldog market can offer, will be priced tomorrow at a yield 1.35 percentage points above the British Treasury stock maturing in 2004/08. Subscriptions will be in partly-paid form, with 25 per cent due on application and the balance on July 24.

Elsewhere, international bond markets were quiet yesterday, with the New York market closed for a public holiday. Fixed rate dollar issues came under some pressure, however, with prices dropping about ½ point as dealers worried that signs of strength in the U.S. economy could force a tightening of Federal Reserve monetary policy.

BHF Bank bond average		
Feb 20		Previous
99.224		99.287
High	1983-84	Low
102.017		97.699

Brazil lender drops payout

BY OUR EUROMARKETS CORRESPONDENT

EUROPEAN Brazilian bank, the London-based consortium that specialises in lending to Brazil, is omitting its dividend for 1983 after a fall in pre-tax profits to £19.3m from £25.3m.

For 1982 the bank paid a dividend of 5 per cent.

Sir John Hall, managing director, said the fall in profits reflected the fact that the bank's average loan portfolio was lower in 1983 than previously. At the end of the year, however, it had risen to £761m from £683m at the end of 1982.

Total assets rose to £818m from £786m. Capital and reserves increased to £47m from £40m, while after-tax profits slipped to £7.6m from £12m.

WORLD STOCK MARKETS

AUSTRALIA

Feb. 20	Price Aust $	+ or −
ANZ Group	6.50	+0.04
Acrow Aust.	1.5	
Alliance Oil D.	0.87	+0.01
Ampol Pet.	1.67	
Aust Cons Ind	1.85	+0.05
Aust. Guarant	2.85	+0.05
Aust. Nat. Inds	2.50	+0.08
Aust. Paper	2.21	+0.01
Bell Group	6.30	+0.03
Bond Corp Hldgs	1.6	
Boral	3.38	+0.08
B'ville Copper	2.58	+0.01
Brambles Inds	3.1	
Bridge Oil	3.30	−0.05
BHP	13.90	+0.16
CRA	5.44	
CSR	3.86	−0.02
Carlton Utd	3.83	+0.01
Castlemaine Tys.	4.28	−0.02
Coles (G.J.)	3.80	+0.01
Comalco "A"	3.05	−0.07
Consolidated Pet	1.00	+0.04
Costain Aust.	1.3	
Dunlop Aust.	1.5	
E.Z. Inds.	6.64	−0.04
Elders IXL	4.3	
Energy Res.	1.62	+0.02
Gen Prop Trust	1.93	
Hardie (J.)	3.45	+0.08
Hartogen Energy	2.65	−0.05
HeraldW'yTimes	3.1	
ICI Aust	2.20	+0.02
Jimb'lana(50cFP	0.36	
Kia Ora Gold	0.16	
Lend Lease	4.62	−0.03
MIM	3.45	+0.05
Mayne Nickless	2.85	+0.02
Meekatharra	0.85	
Myer Emp.	1.90	−0.07
Nat. Com. Bk.	3.6	
News	11.00	−0.35
Nicholas Kiwi	3.09	+0.04

AUSTRIA

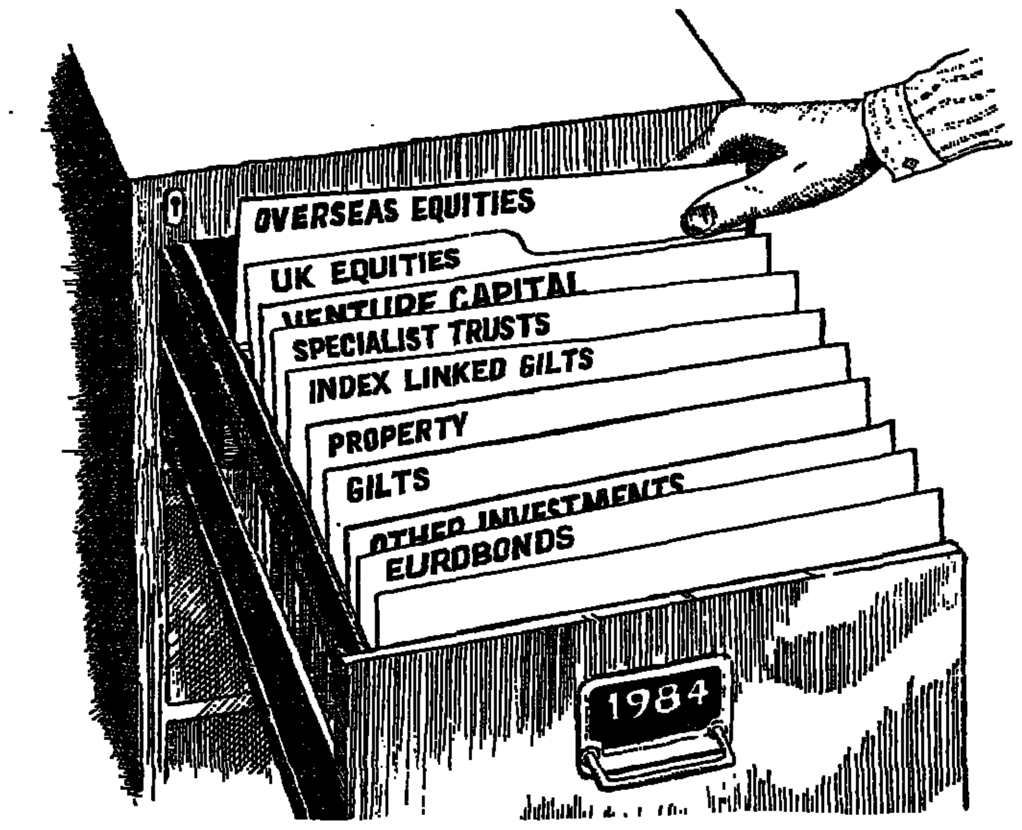
Feb. 20	Price Sch	+ or −
Creditanstalt	213	−1
Goesser	324	−3
Interunfall	410	
Laenderbank	215	
Perlmooser	300	−35
Steyr-Daimler	158	+1
Veitscher Mag	211	

BELGIUM/LUXEMBOURG

Feb. 20	Price Frs.	+ or −
ARBED	1,398	−6
Banq Int A Lux	5,200	
Bekaert B	3,500	+30
Ciment CBR	2,080	−20
Cockerill	207	
Delhaize	5,130	−30
EBES	2,350	
Electrobel	5,920	−90
Fabrique Nat	2,220	−15
GB Inno BM	3,275	−15
GBL (Brux)	2,400	+10
Gevaert	3,055	+35
Hoboken	5,110	
Intercom	1,845	+5
Kredietbank	6,950	−40
Pan Hldgs	9,550	+100
Petrofina	6,900	
Royale Belge	8,130	−60
Soc. Gen. Banq	3,220	−25
Soc. Gen. Belge	1,720	
Sofina	5,460	−40
Solvay	3,680	−50
Tractionel	3,260	−40
UCB	4,720	−40
Vieille Mont	4,060	+20

Pension Fund Investment

Thanks to heavy inflows and favourable returns the UK pensions industry has seen explosive growth in recent years. This has brought handsome rewards for management houses and fostered the emergence of smaller specialist groups



Solid base to funds topping £100bn

By BARRY RILEY

IN THE past year the volume of the investment funds of UK pension schemes has surged past the £100bn mark, measured in market values. Only four years ago the total was just £40bn but by the end of 1983 the combined assets of UK public and private sector funded schemes stood at £103bn, according to estimates by stockbrokers Phillips and Drew.

Part of the explanation lies in the continued high rate of net inflow, running at between £6bn and £7bn a year (though the rate appears to be slackening slightly). The bigger element, however, is capital appreciation, following a phenomenal run of good years in the securities markets.

In fact three out of the past four years have been remarkably good. Early returns from the Bacon and Woodrow portfolio measurement service suggests an average rate of return of around 26 per cent for calendar 1983; and the corresponding figure from brokers Wood Mackenzie is 28 per cent.

These figures are excluding property, however, the poor performance of which will have trimmed the overall return by a point or two.

What makes these high returns all the more remarkable is that they have been achieved in a year of very moderate inflation in prices and pay rates. It is the relative, not absolute, return that is crucial for pension schemes, which normally have liabilities linked to final salaries.

The inflationary nightmare of the mid-1970s is now rapidly receding from memory and being diluted in its statistical impact. The ten-year period to the end of 1983 still includes one disastrous year (1974, when the average rate of return was minus 31 per cent, while wages rose by 29 per cent) but the damage has since been repaired.

Average return

In the past decade as a whole, according to P and D, the average annual rate of return achieved by pension funds has been 15.8 per cent, against an average increase each year of 14.4 per cent in pay and 13.3 per cent in prices.

The 20-year picture is not quite as good as this. Nevertheless, actuaries are these days breathing a lot more easily about the investment assumptions that underpin funded pension schemes. The assumptions vary slightly but it is commonly assumed that investment returns will be 1 per cent above salary increases (and 3 per cent above price inflation).

Over the past five years, of course, the investment picture has been even more favourable. During this period the average life office managed fund has achieved a rate of return—on a discretionary basis—of some 20 per cent, according to employee benefit consultants MPA. The comparable annual rise in salaries has been only 12.7 per cent.

Logic dictates that such huge positive real returns cannot persist for long. But while they do, the solvency of pension schemes is improving very fast—so much so, indeed, that many companies are considering whether they can cut down their contributions to their pension schemes.

A straw in the wind was the disclosure last year by James Neill, a Sheffield engineering company, that it had actually obtained the agreement of the trustees of its three UK pension schemes to return to the company surpluses totalling £1.99m.

Many more companies must be eyeing the resources of their swollen pension schemes. But there is also a factor working in the other direction. The proposed Government legislation forcing schemes to give a better deal to early leavers—by inflation-proofing deferred pensions up to 5 per cent a year—will raise pension costs unless it is offset by cuts in other benefits.

So unless the pressures to personalise pensions becomes much stronger than seems likely at present, inflows to occupational pension schemes are likely to continue at substantial levels. Where will the money be invested?

Most, it seems inevitable, will go into equity markets at home and overseas. Despite the upsets of the early 1970s equities have given the best returns over the long-term. Equities have now been rebuilt to the extent of more than 60 per cent of the typical private sector pension fund, a peak proportion last reached in 1972. In the intervening years low equity prices and almost forced buying of gilt-edged led to an erosion of the equity proportion of funds.

Gilt-edged produced an *annus mirabilis* in 1982 but fixed rate bonds can be risky for pension funds in inflationary times. In theory index-linked gilts and property are investments which match pension fund liabilities much better — but being inflation hedges they have performed very badly in comparative terms in the past couple of years, a period when inflation has dropped to levels not seen since the 1960s.

Scarcely enough

Index-linked gilts provide an assured real yield of 3 per cent or so, equivalent to a nominal return of between 8 and 9 per cent in present circumstances. But this is achieved only over the long run. Because of a rise in the real yield, the nominal return was approximately zero in 1983.

So equities have been restored to their pedestal — but the big difference compared with the early 1970s has been the high overseas proportion, now accounting for a quarter of the equity segment of the typical fund and some 15 per cent of the fund as a whole.

When exchange controls were lifted in 1979 many funds set an initial overseas target of 10 per cent. Since then it has commonly been lifted to the 15-20 per cent range. Pension funds invested particularly heavily in foreign markets up to the General Election last June, partly to pre-empt any shock Labour victory leading to the reintroduction of exchange restrictions.

Overseas investment has subsequently tailed off, no doubt in part because the high level of the dollar has inhibited funds from adding to their U.S. portfolios. But the growing internationalisation of the securities markets may encourage UK pension funds to raise their overseas percentages further in the long run, despite the additional risks of currency fluctuations and political hazards.

Their appetites will have been whetted by the fact that overseas stock markets have outperformed UK equities in sterling terms in the past three years — though the margin has not been all that great.

The explosive growth of pension fund portfolios in recent years has brought important rewards to many investment houses. The major beneficiaries have been the big City of London merchant banks, with names like Warburg, Schroder and Morgan Grenfell leading the field.

Over the years the merchant banks have tended to gain at the expense of insurance companies, whose clients have withdrawn from their insured contracts as the schemes have become bigger and switched to other types of investment manager.

Insurance companies have managed to retain a good slice of this money in their managed funds, however — these currently amount to around £9bn — and the major life offices are now offering management services for segregated funds, putting them into direct competition with the merchant banks and others.

There is also a growing challenge from the specialised or "boutique" type of independent fund management house. The best known of these in the pension fund market is Geoffrey Morley and Partners but there are several newer ones such as Walter Scott. Note should be taken too of the way that management houses like Ivory and Sime and GT Management, better known for their activities in investment trusts and unit trusts, are seeking to expand in pension funds.

If recent history in the U.S. is any guide, this broadening of the pension fund manage-

CONTINUED ON PAGE XII

LEADING FUND MANAGERS

	Value of funds (£m)		No. of clients		% increase
Manager	1984	1983	1984	1983	in funds
Warburg	4,850	3,400	220	184	42.65
Schroders	4,500	3,400	123	109	32.35
Phillips and Drew	3,500	2,600	128	120	34.62
Robert Fleming...	3,300	2,400	102	100	37.50
Barclays	3,000	2,300	55	51	30.43
Morgan Grenfell .	2,965*	2,177*	104*	90*	36.20
Hill Samuel	2,700†	2,100†	180†	172†	28.57
Lloyds Bank	2,328.3	1,836	36	38	26.81
County Bank	2,263	1,734	42	33	30.51
N. M. Rothschild .	1,512	1,094	65	62	38.21
Baring Brothers .	1,500	1,290	77	74	16.28
Pember and Boyle	1,289	1,064	24	25	21.15
Geoffrey Morley .	1,250	958	47	43	30.48
Lazard Bros.	1,250	1,000	51	46	25.00
Hambros Bank ...	1,147.2	1,059.7	28	27	8.26

January 1 figures.

* Morgan Grenfell additional £946m in 1984 and £813m in 1983 for advisory clients.

† Hill Samuel: 1984 £2.6bn, 1983, £2bn for additional advisory clients.

Research: Jan Schling.

Shift towards the private sector

Asset allocation

TERRY GARRETT

THE CENTRAL Statistical Office has not yet published final figures for institutional investment during last year but stockbrokers Phillips and Drew have already estimated that total assets held by UK pension funds passed the £100bn mark—an increase of £20bn over the year.

Not surprisingly, pension fund managers have become increasingly powerful figures on the investment scene. They control around a quarter of total British equities and the way in which they allocate their substantial cash flows between various investment media is clearly crucial to individual markets.

According to Phillips & Drew's estimates, £60.3bn of total pension fund assets are in the hands of private sector funds, with local authority funds accounting for £14bn and other public sector pension funds—mainly the nationalised industries—accounting for a further £30.7bn.

Broadly speaking, all three sectors tend to follow a similar investment policy when it comes to asset allocation, least-ways in recent years. Local authority funds for many years were restricted in their investment policy and this led to them to direct far more cash into gilt-edged stocks than privately managed funds.

Those restrictions were partly relaxed in 1974 and from then on the profile of authority funds shifted more towards their private sector contemporaries. With the virtual removal of those constraints last year, local authorities will presumably soon look even more like private sector funds because the investment objectives are the same.

The most noticeable variation between private and local authority asset allocation is that whereas private funds had some 62 per cent of assets held in equities last year, including 15 points of overseas holdings, local authority funds had only 13 points of overseas equities in an overall equity investment of 65 per cent. That difference may well have been caused by the restrictions imposed on overseas holdings until last year.

The "other public funds" also appear to be less keen on holding overseas equities than their private sector counterparts. According to Phillips and Drew's estimates, out of a 56 per cent allocation towards equities only 12 points were directed overseas. The explanation is not obvious, though the *opposition of* some trades unions to overseas investments may well be the reason—the miners' union, for example, crossed swords with the industry's pension fund managers last year.

The other feature which stands out between the three types of funds is the large property element within the public sector pension funds. It is estimated that 19 per cent of assets are held in property against 7 per cent for local authorities and 12 per cent for the private sector. The difference is even more marked if the breakdown is carried back a few years.

Big shake out

In the private sector property has not featured higher than the 17 per cent of 1974—just before the big shake-out in property values. Public sector funds, however, consistently hold substantial property investments. The proportion has been as high as 33 per cent in 1974 and has more typically been between 21 and 25 per cent reaching the upper figure three times.

The reasons behind this divergence are not clear. Yet it is worth noting that the "other public sector" funds are dominated by a few exceedingly *large funds. Possibly because* of their sheer size they are willing to get more involved in major property projects. The larger funds in the private sector are also believed to have a greater property exposure than the mean figures would suggest.

The Prudential, one of the industry's biggest members, had a property content close to 25 per cent at the beginning of the '80s. The managers there have been actively reducing that exposure and now it is down to 11 to 12 per cent, with an ultimate target of around 10 per cent.

Private sector funds have gradually been increasing their proportion of equity investment on the back of rising stock market prices around the world.

Of course rising equity values have been instrumental in shifting the percentage allocation. In London the market was up around a third last year, while in sterling terms the U.S. was even better. Japan and West Germany were also powerful movers. Given that background it is perhaps surprising that the percentage value of UK equities only rose by two points, the same as overseas. Yet a number of fund managers, fearful that UK values are topping out, have been reducing their commitment.

Shift from U.S.

The Prudential funds are an examples of that trend. Its UK equity involvement was only 42 per cent at the end of 1983 compared to 18 per cent for overseas holdings. Within that latter figure there was a shift away from the U.S. towards the Pacific Basin last year.

The changing attitude towards property in the private sector is perhaps the most interesting feature over the years. Back in the early 1970s property was considered "the" inflation hedge asset. A property crash and a few years of indifferent performance has laid that concept to rest.

According to the figures from Cubie Wood, property showed an average return of 8.2 per cent during 1983 compared to 28.9 per cent for equities and 22.7 per cent for the group's standard fund, which has a sector distribution representative of the average private pension fund in the UK.

Many funds have lost their appetite for property. For the first nine months of 1983 pension funds and insurance companies cut their new investment in property by 30 per cent to £935m.

Property, of course, still provides an income flow and an investment on that basis should be weighed up against returns elsewhere. But as a hedge against inflation investors could be better off index-linked gilts.

Yet index-linked were not popular last year despite inflation-proofing holders' cash. With relatively low inflation rates performance-orientated fund managers think they can find better returns elsewhere. In the run up to the election some managers were keen on index-linked, fearing that a Labour Government would set inflation roaring again. Once the Tories were back in power that interest waned and for calendar 1983 as a while index-linked showed a gain of only 0.7 per cent according to Cubie Wood — and that was only achieved thanks to dividends. Index-linked was the only sector not to better the *inflation rate* last year.

The Government kept up a fairly heavy fund-raising programme on the gilt market, though the pension funds' commitment proportionately eased a little last year. In the private sector there was a modest fall of total funds in gilts from 23 to 21 per cent; among the local authority funds the number dropped from 27 to 24 per cent while among other public sector funds (gilts tend to be less popular among these) the percentage fell from 21 to 19 per cent.

Still, Government securities could swing back again this year. As equity prices look nervous in high ground, gilts are still making a positive return over inflation. Hill Samuel, which advises 180 pension funds, is one of the houses that see a reversal of 1983's pattern in store for this year.

The Prudential's position currently shows gilt holdings at an abnormally high 26 per cent. Normally the Pru holds a fairly modest portfolio of Government securities but the stakes have been raised, purely as a trading position. By the end of this year the Pru hopes to have taken some good profits on those gilts and, with the outlook for equities likely to be pretty dull by then Pru's portfolio could show a fair slab of cash holdings on January 1, 1985.

TOTAL PENSION FUND ASSETS
(£bn market value year-end)

	1963	1971	1979	1982	1983
Private sector	2.8	6.2	22.4	46.8	58.9
Local authority	0.7	1.9	5.4	11.3	14.7
Other public sector	1.0	2.5	12.1	23.1	29.8
	4.5	10.6	39.9	81.2	103.2

Source: Phillips and Drew estimate.

Battlecry worries investment chiefs

Portable pensions

ERIC SHORT

"EVERY MAN his own Capitalist." This is the clarion *call from Mr Nigel Vinson and* Mr Philip Chappell, the prime motivators in the drive by the Centre for Policy Studies to introduce personal portable pensions for all.

It is the battlecry that rings out every time these two meet Mr Norman Fowler, the Social Services Secretary, who is chairing the Government inquiry into portable pensions, though one feels the message is aimed more at Mrs Margaret Thatcher.

Already the noise created by the Centre's proposals *is sending* shivers down the spines of many pension fund investment managers. For one of the stated aims of the Centre in introducing these changes is to end the growing concentration of the ownership of wealth by the financial institutions. The Centre claims that personal portable pensions would reverse this trend and disseminate wealth back to individuals.

Fund managers in their nightmares could imagine their funds breaking up like glaciers meeting the sea and breaking into icebergs and floating away. They visualise that there would be a rush of employees, urged on by life company salesmen, anxious to take their stake in the company pension fund and do their own thing with the latest fund of the month.

Pension fund managers thought the danger to their operations came from the political Left, with the Labour Party and the TUC directing their investment policy. Never did they visualise an attack from the Right—and some pension fund operators still give the impression that the portable pensions proposals are just a bad dream.

Modified

Fund managers need not fear that their funds will disappear overnight. Norman Fowler, at least, gives the impression in the open meetings of the inquiry that he is not going to recommend any form of portability that would result in the break-up of company final salary schemes.

The Centre has considerably modified its original proposals contained in its paper published last April. It wants portability to be introduced gradually. In *the first stage, the employees* taking a new job would not be forced into joining the company pension scheme but the right of existing employees to withdraw en masse would be deferred until a later and unspecified period.

So if the worst fears of the pensions movement are realised and portability is introduced, its effect will be felt in stages. Fund managers are not likely to be faced with the need to sell assets to meet massive demands for cash withdrawals.

The investment scene is *going to change, however, even* if Norman Fowler does no more than recommend the minimal changes agreed by both sides.

A meeting between the National Association of Pension Funds and the Centre set out three areas of agreement on changes in the current pensions scheme.

The first is for compulsory disclosure of information on pension schemes—a change that reflects growing public demand.

The second area of change concerns AVC (Additional Voluntary Contribution) schemes. The Centre and the NAPF are agreed that these should be made much more flexible.

The Centre wants banks, unit trusts and building societies and as well as life companies *to be able to offer personal* pension arrangements. It goes even further and wants individuals, with recognised investment advisers, to be able to build up their own personal *portfolios, investing directly in* stocks and shares, property and so on.

Mass marketing

It *is doubtful* whether Norman Fowler would agree to going all the way, at least at the start, in allowing individuals to build up their own portfolios. But it is possible that he will allow other institutions to offer AVCs on an individual basis. One can foresee mass marketing of AVC schemes if this change is made, to the benefit of building societies and unit trusts as well as life companies.

The third area of change relates to transfer payments and it is not clear what has been agreed. But where a transfer payment is available then the leaving employee should be allowed to make his own portable pension plan with the money.

However, if Norman Fowler does go some way towards bringing about portable pensions, say by giving new employees the right not to join their new employer's scheme, the implications are wider ranging.

The pension manager would have to sell the final salary scheme to incoming employees and the investment manager's record would be a useful selling aid.

However, the centre envisages company schemes offering to manage an employee's personal pension arrangement on a money purchase basis.

Up to now most companies have preferred any individual pension arrangement, such as AVCs, to be done outside the main pension fund. There are administrative problems in keeping a series of separate funds under one main fund umbrella.

But now employers may feel that they need to offer some *personal arrangement for* employees wishing for a personal pension to save them from the blandishments of the various investment salesmen.

The evidence to the Government enquiry into portable pensions has drawn attention to the cost factors. The charges on an individual pension plan are far higher than the expenses incurred by an employer running his own scheme.

Pension consultants Wyatts estimate that costs per employee are 18 per cent of premiums on a go-it-alone basis *against* 8 per cent *of* contributions on a company scheme. The investment performance has to be good to offset that level of expenses.

Secondly, an in-house portable arrangement will better ensure that the employee does not get the investment decisions wrong.

Nigel Vinson and Philip Chappell are extremely optimistic over the investment opportunities for individuals making their own pension arrangements. They do not foresee anythink but a crock of gold at the end of the rainbow and their attitude for those employees whose investment performance turns out to be poor is "tough."

The NAPF take a different line. It points out that the investment world is complicated and beset by major and unforeseeable vagaries of politics and economics. It claims that very few individuals are prepared to venture into the area of the recognised experts and those who do are quickly disillusioned.

It feels that many employers will not say "tough" to employees who fail with their portable pensions. These employers will feel some concern and sense of responsibility for those employees who adopt a prodigal son approach and demand their portable pension, at least while they remain in their employment. The easiest way to do this is to offer an in-house portable pension managed by the pension fund investment manager.

The Centre is demanding that employees have a greater identification with their share of the company pension scheme—whatever that may mean. They want the fund operated on a unitised basis and disclosure to the member's units each year on a discontinuance valuation basis. This is primarily a problem for the actuary but investment managers may find themselves embroiled in more paperwork to produce so-called values of the assets on several different bases.

The benefits for a full-blown portable scheme will accrue to the outside institutional fund managers, especially those institutions with good marketing outlets. The main beneficiaries *are likely to be the building* societies.

Playing safe

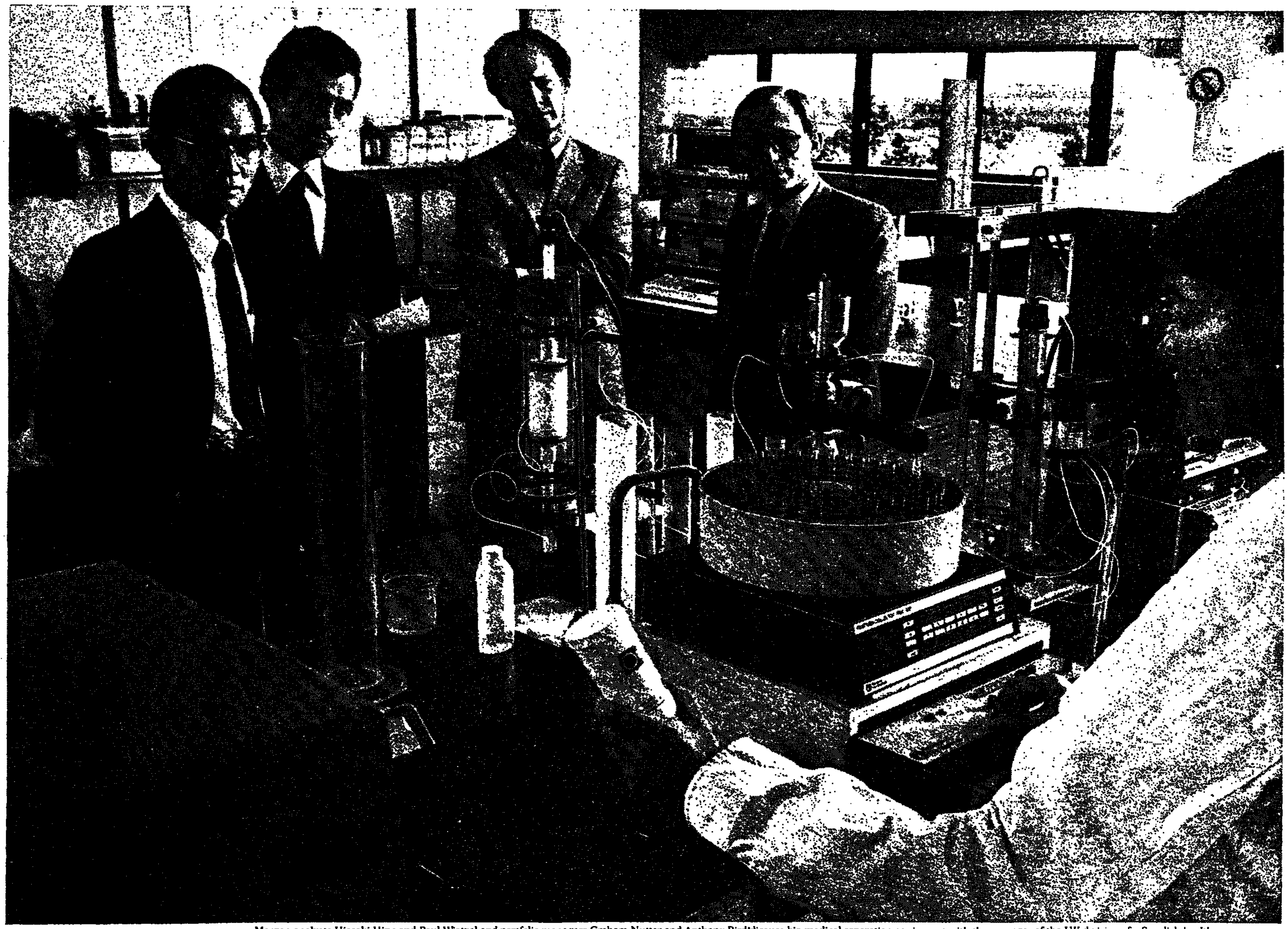
Individuals are likely to play *safe with their pensions* savings and invest in building society and bank deposit type schemes. The Building Societies Association, while fully supporting final salary company schemes, *has claimed* the right to market portable pensions should the Government decide to implement the scheme.

Those life companies not in the mainstream company pensions business are vocal in their support of portable pensions.

On the face of it a move to portable pensions would channel savings into one or two thousand major and minor institutions instead of spreading it through several thousand pension schemes. But Nigel Vinson claims that an employee investing in unit trusts identifies himself more closely with those savings than his 60ths final salary pensions.

One can see pressure building up for more employee involvement in the running of pension schemes as a result of the current debate. Provided this is done in an orderly manner it can only be to the good.

Institutional investors profit from The Morgan Bank's use of international research



Morgan analysts Hisaaki Hino and Paul Wetzel and portfolio managers Graham Nutter and Anthony Bird discuss bio-medical separation equipment with the manager of the UK division of a Swedish health care company.

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The Morgan Bank

Competing institutions and their approaches

External managers

CHARLES BATCHELOR

THE BUSINESS of pension fund management is becoming increasingly competitive as more trustees come to realise the value of the assets they control. Trustees who in the past chose external managers for their funds on the basis of personal compatibility are now taking a much closer look at performance tables.

"People now realise that for most companies the pension fund is their largest asset, costing huge amounts of money," says Mr Keith Jecks, manager of Investment Performance Monitoring Service, part of Cubie, Wood and Company, which itself is part of the Noble Lowndes employee benefit services arm of the Hill Samuel merchant banking group.

"The pension fund can account for 18 per cent of a firm's payroll — say 3 per cent of turnover. That is too much money to leave to passive management. If you can add 1 percentage point to your yield over a number of years you could afford to reduce the contribution rate by between 15 and 20 per cent," he says.

Changes in pension legislation provided fund managers with a steady stream of new clients in the mid-1970s.

"Since that boost there has been very little genuinely new business," says Mr Gordon Sharp, a director of Godwins Central Services, the UK employee benefit consultants owned by the U.S. insurance broker Frank B. Hall. "Managers are now marketing themselves far more aggressively."

The trustees of pension funds have also become more sophisticated. "Even small companies in the provinces with a £2m pension fund expect managers to perform," says Mr Jecks.

The result has been that the life insurance companies, which used to dominate the market with their insured schemes, have seen large parts of their business snatched away by the merchant banks. The banks and the stockbrokers have themselves come under pressure from the so-called "boutiques," the specialised fund managers, many of them established by people seeking to break away from the constraints of the larger institutions.

Forced by client pressure to provide a more visible and more accountable type of fund management, many life offices set up managed funds — pooling the assets of a large number of clients. They are now finding themselves under pressure to set up segregated funds, each one comprising the assets of a single client.

Total funds invested by the pension fund sector now exceed £100bn, with the insurance companies estimated to manage just under half. So the merchant banks, the clearing banks, stockbrokers and boutiques together account for slightly more than half.

The top positions in the fund management league are dominated by the merchant banks. S. G. Warburg heads the list with £4.85bn under management at the end of 1983, closely followed by Schroders. There are three other accepting houses in the top seven.

Third place

But third place in the league is claimed by stockbroking firm, Phillips and Drew, managing £3.5bn of UK pension fund money. Barclays Investment Management holds fifth position with £3bn.

The merchant banks and the clearers are generally seen as taking a "top-down" approach to managing their clients' funds. The board or a committee of senior executives decides at monthly, or more frequent, meetings what percentage of funds should be allocated to UK equities, gilts (conventional and indexed), overseas equities and property.

Warburgs has a five-man investment policy committee comprising the heads of its teams of managers for the main areas of investment. They meet at least monthly to decide asset allocation, which is then applied by the bank's 40 fund managers.

Warburg's 220 pension fund clients — with a total of 280 funds altogether — are handled by teams of three — a fund manager backed by a director and a junior. No-one has more than 12 clients.

In addition to deciding on overall asset allocation the bank policy committee has also applied — since the 1970s oil shock — firm limits to investment in individual sectors of the UK and overseas securities markets.

"Where the fund manager has discretion is in the choice of individual securities," says Mr David Price, chief executive of Warburg Investment Management. "You can't employ good people if you don't give them discretion, though we don't employ prima donnas. In the end it comes down to stock selection."

Research capability differs from bank to bank, with some carrying out their own and others relying largely on stockbrokers. Warburg says it relies on the brokers to crunch the numbers on the larger companies, to which it then applies its own analysis. It researches the smaller companies itself.

The pure investment houses of boutiques have been taking a growing share of the pension fund market. They include old-established groups such as Ivory and Some and more recent arrivals such as GT Management. They tend to be small—thus relying heavily on stockbrokers' analysis — although one of the most successful, Geoffrey Morley, manages a portfolio worth £1.2bn.

They generally take a more informal, often quite aggressive approach to management. Many have an excellent short-term record but have yet to prove themselves in a sustained bear market.

Stockbrokers are important fund managers, though they are often regarded with some suspicion by their rivals in other sections. This is because they do not charge fees for their services but earn commissions on the securities trading. Some stockbrokers have become so sensitive to the charge that they might be "churning" clients' portfolios that they may now be "undertrading."

While stockbrokers also frequently apply a top-down approach to asset distribution they generally give greater discretion to their fund managers. Those with large research teams are particularly well placed to take a view on a share and many build up their portfolios with shares of companies they know well.

One trend which is developing is for pension fund trustees to take their own decisions on asset allocation, drawing on professional advice and then assigning UK equities to one manager, gilts to another and so on.

Funds are also increasingly making a straightforward split of their assets among more than one manager. Funds dissatisfied with their manager are placing a portion of their funds with a second, partly in the hope of gingering up the first. Some have jettisoned their original manager altogether.

Keith Jecks advises funds to make a clean break. "If the original manager has consistently underperformed he should be sacked. There is little down-side risk in this," he says.

Some trustees have decided to dispense with their external managers altogether and to do the job in-house.

"We don't see people who go in-house getting a better performance, though they do get greater control," says Sharp. "But what do they do if their fund manager ups and leaves? It can also be more difficult to get rid of a manager who does not perform."

Even fairly large in-house funds will miss the muscle of a large external fund manager. Sharp feels viability begins at £100m.

Vogue for more than one manager

Management selection

TONY JACKSON

FOR THE trustees of a pension fund, choosing the right manager or managers to handle the fund's investments is becoming an increasingly difficult and sophisticated process. Advising the trustees on how to go about making that choice is, correspondingly, becoming big business.

Trustees can be on the hunt for a new manager for a variety of reasons. Some will simply be dissatisfied with their present manager's performance. Some will have decided to split the fund between managers with different styles and investment philosophies. Some will have decided for the first time that their fund has grown large enough to warrant being run separately, rather than within the pooled fund of an insurance company.

Whatever the reasons, the trustees will normally turn to a firm of actuarial or pension fund consultants to guide them through the selection process. In practice, the market for this kind of advice falls into two compartments; funds which are looking for a manager for the first time, and those which are experienced in self-management but are looking for a change.

The process of advising newly-self-managing funds owes much of its character to the fact that such funds will normally have started life with an insurance company. As a rule of thumb, a company with pension assets of under £1m would invest them in an insurance contract; between £1m and £5m, in an insurance company's pooled managed fund; and above £5m, would be thinking of having the fund managed on a segregated and separately identifiable basis.

In the past, the natural desire of insurance brokers to retain the business of funds which opted for independence prompted them to create advisory offshoots of their own. Consultants such as Noble Lowndes and Willis Faber Advisory Services started life in this way, and although many such broking offshoots may now operate in the wider market, their business often retains an historic bias towards the advising of newly self-managing funds. By contrast, the big consulting actuaries such as Bacon and Woodrow tend to have a bias towards advising larger and more mature funds which are looking for a change of existing investment management.

But regardless of how experienced a fund's trustees may be in choosing and supervising their investment managers, the process of selection is never easy.

The consultant's first task is to determine what the trustees have in mind—in the case of first-time selection, to establish what kind of broad policies the trustees would like to follow, and in cases where a change of management is called for to establish what has gone wrong in relations with the existing managers.

The trustees may, for instance, feel that they do not want to stick with middle-of-the-road, conservative policies. In which case, the consultant may want to point out that if they choose a manager who will invest wholly in, say, UK equities, they will have to prepare themselves for occasional poor performance by the fund as well as periods of outperformance. Or the trustees may be thinking of splitting the fund between different managers, either because of the "comfort factor"—not putting all their eggs in one basket—or because they would like part of the fund to be managed in a conservative way, and another part more adventurously.

Having established broad guidelines with the trustees, the consultant will then gear himself up for the screening process. Perhaps a dozen or so management houses—merchant banks, insurance companies, stockbrokers—will be sent a (usually lengthy) questionnaire. This will cover such matters as the house style and philosophy on investment management, the degree of flexibility allowed for within that philosophy, the amount of discretion given to individual managers, the size and type of funds presently under management, and the degree of attention given to each individual fund. And, of course, there will be detailed questions on the performance record of the house and its individual managers, usually over a period of five years or so.

Though past investment performance is always one of the selection criteria, consultants differ in the amount of emphasis they place on it. Performance measurement is an essential tool for checking the activities of managers already hired, but a manager's past performance may not always be the best way of judging how well he will fit in with a new board of trustees.

But what if the investment manager, for all his talents, is a shy introvert, and cannot put his points across well in interview? There seems little way round this, for consultants agree that while a senior marketing man from the investment house might come along to add a bit of gloss, any presentation which lacked the presence of the man running the fund would be unlikely to succeed.

And if he is not a fluent presenter, hard luck. Says one consulting actuary: "If a fund manager can't sell himself to clients, he probably won't have much of a future—he'd be better off behind the scenes in an insurance company. Fund management may be seen as a back-room job, but not pension fund management involving the trustees."

If this situation seems unfair, or irrational, it is nevertheless likely to become more acute in the future. As in so many investment matters, the pace is being set in the U.S. The splitting of pension funds between different managers—sometimes a very large number—is becoming commonplace in the U.S. pensions market. This in turn reflects the breadth of choice available, in investment theory, style and presentation. In the UK, really competent investment houses run only to a few dozen and most of them still offer a broadly homogeneous, middle-of-the-road approach.

This is changing, however. More adventurous investment houses are now appearing—many of them, it would appear, Scottish in origin. This means that trustees can think of splitting their funds between managers of more widely differing styles. In turn, this can mean a further increase in the importance of the consulting actuary. Consultants will emphasise that they try to stay clear of the eventual decision on whom to appoint but the more they involve themselves in earlier decisions on which types of managers should be chosen, specialising in which types of investment, the more they are, in fact, involving themselves in determining the shape of the fund's portfolio.

PENSION FUND INVESTMENT V

Rival services square up

Performance measurement

BARRY RILEY

REGULAR measurement of the performance of pension fund portfolios in the UK is far from a new phenomenon, but in an increasingly competitive environment it is being taken more and more seriously. "Portfolio measurement has made a crucial difference to our approach," admits a fund manager at a leading London merchant bank.

But competition is also affecting the measurement services themselves. They are polarising into two main services, although with several smaller ones also seeking niches in the market place.

The biggest pension fund service is run from Edinburgh by stockbrokers Wood Mackenzie. For 1983 this covered 860 UK funds worth a total of £65bn and the aim is to reach the 1,000-fund mark this year. At such a level the WM service would be twice as big as its newly formed rival, CAPS, which boasts 500 client funds worth some £40bn.

CAPS stands for Combined Actuarial Performance Services, a name which reflects its creation through the pooling of the separate services of three large firms of consulting actuaries — Bacon and Woodrow, R. Watson and Duncan C. Fraser.

In fact, CAPS was announced only in December last year, and its first measurements will not be produced until later in 1984. Calendar 1983 performance statistics are still being generated by the individual firms.

The merger reflected the actuaries' need to fight back against the much bigger and more efficiently produced WM service. But Bacon and Woodrow's Mr David Hager argues that the pooling of resources is not a defensive reaction but is "a strong offensive measure."

He claims that CAPS "will very quickly become a standard across the market." A speeding up of the service is promised compared with the existing firms' timetables, and efforts will be made to go out and sell the measurement system, especially to the merchant banks which so far have tended to be WM customers. "One institution has signed up for 45 funds," says Hager.

WM's Mr Dugald Eadie notes the improvements promised by CAPS but suggests that further refinements planned for his firm's service will leave the actuaries still struggling to catch up.

In the past the actuarial firms have tended to criticise the WM service as being based on a sample biased towards a few large fund management groups and have also complained at the way WM has been able to receive its fees in "soft" form through commissions (about half its clients' funds pay in this way).

Soft commissions

Dugald Eadie responds by asking how a sample representing well over half the total market can be seriously biased (though he admits the sample is light on local authorities and funds managed by stockbrokers, who see WM as a rival).

As for soft commissions, WM no longer has an advantage here. "Clients may wish to take advantage of the recent relaxation in the rules of the Stock Exchange which permits stockbrokers to sponsor investment performance services," says the CAPS promotional literature.

While the big two square up to each other, smaller services are run by firms such as Cubie Wood and Godwins, Mr Gordon Sharp of Godwins puts the emphasis on tracking the performance of fund managers rather than individual funds and he monitors the results of around 25 of the major management houses.

Wood Mackenzie also runs an international portfolio measurement service, though here it comes up against some of the American specialists like Frank Russell and the investment supervision section of Peat Marwick Mitchell in New York.

In the U.S., performance measurement is a much more public affair. Portfolio managers will not only disclose their performance but will do so within a very few weeks of the year-end (a somewhat embarrassing experience for many of the U.S. managers for 1983, when many of them underperformed the U.S. equity indices because of the shakeout in high technology stocks and a recovery by unfashionable smokestack issues).

The only comparable case of speed and disclosure in the UK is provided by the insurance company managed fund sector, where unit prices can be closely tracked. Employee benefit consultants MPA take pride in producing the speediest annual survey of these funds —it comes out by about the end of January.

But topping the tables is not everything. MPA's Mr David Duncan points out thaq small funds often perform well in the early years but may not be able to keep the pace as they get bigger.

Data supplied by individual funds and managers to the other UK measurement services is treated as confidential, although CAPS is prepared to supply individual managers' figures to clients when they are seeking new investment advisers. In practice, managers reckon they get to know on the grapevine how their rivals are doing.

Generally speaking, however, the only readily available information relates to aggregated figures, concentrating on the performance of the median fund or the range of results over upper and lower quartiles.

The original objective of performance measurement was to provide the trustees of pension funds with some kind of yardstick for assessing the stewardship of their funds. There was a need to compare the investment returns with those required to meet the liabilities of the scheme and at another level to compare the performance with the market indices.

Qualifications

The development of widely subscribed services, however, has enabled measurement to take on a comparative role, permitting both trustees and fund managers to see how their performances shape up against those of a wide range of similar pension schemes.

There must be a qualification here, however, because not all funds operate under percisely the same constraints. Some may be more conservatively managed than others, which means they are likely to perform relatively better in an equity bear market than a bull market. Others may face particular restrictions, such as a ban on shares with a South African involvement.

Now, increasingly, portfolio measurement is moving beyond the level which can readily be comprehended by the average trustee and is being directed at the professional fund manager himself. It is aimed not merely at showing where the manager stands in a comparative league table but at analysing in detail the impact of the various decisiones he has made.

Wood Mackenzie's service, for example, breaks down the overall rate of return into subsidiary returns on various asset categories. These are UK equities, overseas equities, fixed interest, index-linked gilts, cash (or liquidity) and property. The distribution of assets, as well as the individual sector returns, can then be compared to the averages.

It thus becomes possible to analyse overall returns in terms of asset allocation decisions as well as in terms of ability to perform in particular sectors.

TOP PERFORMING FUNDS

In the Peat Marwick Mitchell universe; periods ended September 30 1983; annual rates of return per cent

Manager	Fund	5 years	1 year
CATEGORY: U.S. Equities			
Jundt Capen Assocs.	St. Paul Growth	31.6	61.9
Loomis, Sayles	Capital Growth	31.2	58.6
Trustee & Investors	Tax-Exempt Equity	30.9	54.3
Investors Research	Twentieth Century	30.2	76.2
Equitable Investment	S/A No 3—Growth	28.9	74.8
CATEGORY: Non-U.S. Equities			
Putnam Advisory	Foreign Equity Growth	14.7	42.6
Co International Inv.	Fund AA	12.9	30.3
CITI-Investments Intl.	Intl. Securities Fund	11.1	43.3
First Nat. Chicago	Inst. Intl. Equity	10.0	38.0
S. G. Warburg	Non-U.S. Composite Fund	9.7	32.8
CATEGORY: Global Equities			
Templeton	Global ERISA	22.1	57.4
Wertheim-Philippe	Pan-Holding-Global	18.2	43.4
Capital Guardian	New Perspective Global	17.7	44.0
Hill Samuel	Intl. Equity	10.3	42.5
Bank Julius Baer	Grobar Global	6.5	54.9
CATEGORY: Eurodollar Bonds			
Credit Suisse 1st Boston	Gnat Eurodollar	13.8	15.9
Travelers Asset Man.	Account A Euro$ Bonds	13.7	19.5
Travelers Asset Man.	Account M Euro$ Bonds	13.5	18.3
Fiduciary Trust	Eurodollar Bonds	13.2	17.1
Kleinwort Benson	Fund B Euro$ Bonds	13.1	17.3

Note: This table includes only those funds monitored by Peat Marwick Mitchell, New York.

The manager can then learn for instance, that although he beat the indices in gilts he should have switched more heavily into equities.

The trend is towards ever greater segmentation, with separate categories for newer instruments like financial futures and greater geographical analysis to reflect the increasingly international nature of pension fund portfolios. Ultimately there could be a kind of global matrix solution.

By that stage the poor old trustee will have been left a long way behind but he will still have the responsibility for deciding when a fund manager is not performing well enough.

Here it is not just a question of looking at the performance numbers but also of deciding the length of time over which the results can be said to be significant. It is conventional to measure performance every quarter, which has the merit of keeping fund managers under a degree of pressure, but at the same time it would be absurd to take important decisions on such a short time-scale as that. By definition pension funds have very long-term objectives.

In the more volatile climate of the U.S., fund managers are more likely to be sacked for poor performance than in the UK. But Mr Brian Rom of Peat Marwick suggests that most clients do not look too closely at quarterly figures, preferring to look at cumulative results over a year or two.

"There's no reason not to keep someone who blows one quarter," he says. "A market cycle of four years is the appropriate time period to look at."

Changes ahead for the charging basis

Fees

BARRY RILEY

WHY ARE investment management fees more than twice as high in the U.S. as in the UK? Wny are some UK merchant banks starting to offer two scales of pension fund management fee?

The subject of fees for portfolio management can be a deceptively difficult one, especially in the case of an integrated financial organisation such as a merchant bank, which as well as undertaking investment management may also accept deposits, deal in currencies and sponsor new issues.

Superficially, the charging basis may look simple enough. Normal practice is to set the fee as a percentage of the value of the portfolio, according to certain size bands. For very large portfolios the fee may be as low as 0.1 per cent. But the first few million pounds will be charged at significantly higher rates, and the average merchant banking fee is probably something like 0.2 per cent for a typical fund.

For other types of manager, however, the fees can be different. The independent boutiques, for example, charge more on the basis that they offer a special style and, if all goes well, a superior performance. All types of mannger are likely to charge extra for the management of overseas assets.

Conflict

At the other end of the scale it has been the practice for stockbroking firms to offer "free" portfolio management, on the understanding that they will generate indirect revenue from commissions incurred on transactions by the funds under their control.

Plainly this introduces a conflict of interest in that brokers therefore gain higher income from excessive dealing. But in practice brokers are so sensitive to accusations of "churning" that they are careful to keep activity levels below average.

It is not quite so well known that other managers can also benefit from a high frequency of transactions. This occurs when individual funds are charged a rate of commission different from that paid by the investment management house.

Quite commonly merchant banks produce their own contract notes when charging commission to the portfolios under their discretionary control. In these circumstances there is no guarantee that the commission charged to the fund is at all closely related to the commission actually charged to the bank by the broker.

The difference arises because brokerage is charged on a sliding scale. Small transactions are charged at a lower rate than large. It follows that a bank dealing in the same share for a number of different client funds at the same time can qualify for a lower commission rate than the individual funds would have been liable for on their own. Merchant banks usually argue that they are entitled to the benefit of this wholesale/retail differential.

In the past few years the revenue-generating potential of this charging method has expanded because of the introduction by the Stock Exchange of "continuation." Not only does a big investor qualify for a lower commission rate on large transactions; he is further able to pool trades in a single share with the same broker over a three-month period and claim a substantial commission rebate.

The scale of this benefit can be judged from the experience of Mr Geoffrey Morley, an independent fund manager, who found that granting of continuation rights in 1982 produced a saving of 40 per cent of the commission bill. At Geoffrey Morley and Partners, as with most of the independent management houses, these economies are passed on to the funds.

There is in itself nothing improper about the remuneration method in which such commission benefits are retained so long as the client is aware of what is going on. In comparing the fee scales of different managers he must know which are also likely to derive substantial indirect remuneration.

One important side-effect of the sharing in commissions, however, is that the manager has an incentive to deal more heavily. This cannot be a sensible feature of a charging system, especially in the London stock market where a heavy stamp duty is charged on equity trades, quite apart from brokers' commissions.

In addition there are sometimes allegations that investment managers who issue their own contract notes are in a position to indulge in more controversial practices. For instance, lines of shares may change hands without passing through the market and client funds may pay a price different from that paid by the manager.

Another merchant banking practice, of requiring interest-free deposits from stockbroking firms before they will give them business, is less common than it used to be but is still heard of. At times of high interest rates it can represent a lucrative source of extra income from the fund management activity.

The total benefits of back-door charging methods can be considerable. Mr David Hager of consulting actuaries Bacon and Woodrow told the annual conference of the National Association of Pension Funds (NAPF) last May that a frequent effect may be to double the direct fee income of larger managers.

The ways by which extra income can be generated are often comparatively obscure. With banks, for instance, there may be spin-offs from currency transactions by investment clients, while it has been known for incoming dividends to be held in separate accounts until the end of each quarter, the interest benefit being received by the manager.

In his speech to the NAPF Mr Hager mentioned a common source of grievance — that pension funds may be put into specialist unit trusts run by their managers, involving extra fees and the opportunity for dealing profits on the units.

Mr Hager now says that nobody has contradicted his estimates of the level of indirect charging. He notes that certain merchant banks have begun to offer two scales of fees — charging say 0.2 per cent when brokerage commission benefits stay with the manager and 0.3 per cent when they are passed to the client.

Radical changes

Recently, however, the proposal of radical changes in the Stock Exchange's commission structure has introduced a new element to the debate over portfolio management charges. When fixed commission scales are abolished there will have to be a rethink of the way in which the fund management activities of stockbrokers are carried on. Firms like Phillips and Drew, which manages some £3.5bn of pension fund money, will probably have to introduce a scale of direct charges.

The merchant banks will have no official Stock Exchange yardstick to apply if they continue to draw up their own contract notes, so it will be more difficult for them to operate such a notional commission system.

Pension fund advisers are getting ready for a general rise in the level of direct portfolio management fees. This will only be partly offset by a drop in the dealing commissions paid by the funds. Net of continuation, there is unlikely to be a very substantial reduction in commissions, at any rate those charged by the full-service broking firms which provide research and other expertise.

A consolation will be that the charging of portfolio management fees is likely to move on to a generally "cleaner" basis, although there are those who worry about whether it will be possible to police a situation in which the commission discounts and rebates enjoyed by each fund management house become a matter for private negotiation.

At least management charges are unlikely to move up as far as the level of 0.5 per cent, or even more, which is common in the U.S. That reflects the expensive "boutique" style of management which is more popular across the Atlantic, as well as the impact which the Wall Street bull market has had on the pay expectations of American investment professionals.

Passive concept of merely tracking the index

Strategies

CLIVE WOLMAN

IF YOU can't beat the index, then hold it. That has been the rationale behind the recent emergence of passively managed funds in the UK, which are designed merely to track the performance of the FT-Actuaries All Share index.

Across the Atlantic, passive management has a decade's history behind it. But in the UK the concept has been much slower to catch on. Only last year the Californian bank Wells Fargo, one of the largest passive managers in the U.S., wound up its base in London after failing to win any contracts over here.

But their experience appears to have been a case of the pioneers getting scalped only to make the way easier for those who follow in their trail.

One of the reasons behind the reluctance of UK pension fund trustees to take to passive management has been the gulf between the business school academic communities and the practising portfolio managers in the City. Modern portfolio theory with its emphasis on risk analysis and management and its often implicit acceptance of the efficiency of equity markets is often taught as a self-evident truth in business school finance courses.

But it has made few inroads into the thinking of City fund management groups. At the most, fund managers have a passive awareness of the measurements of market-related volatility.

In the U.S. too the ERISA legislation proved a spur to passive management by requiring pension fund trustees to take into account the latest developments in portfolio theory in the interests of prudence. Furthermore, the abolition of minimum stockbroking commissions on Wall Street in 1975 allowed the index-matching funds to carry out the necessary technical adjustments in their portfolios at rock-bottom commissions without having to pay for stockbrokers' research.

But in the last six months several fund management houses have started actively to promote their index-matching funds. Three of the main High Street clearing banks—Barclay's, Lloyds, and National Westminster (the last through its merchant banking subsidiary County Bank)—have become involved. According to Mr Bruce Pullman of County Bank: "We were expecting the market to break next year. But it has happened six months early and we are just in time."

At present one major pension fund is holding a "beauty contest" to decide which index-matching service should be awarded a contract to manage well over £50m of its assets.

The administrators of the funds that have so far been set up have not generally been keen to publicise their services too widely. According to Mr Vernon Harris, managing director of Britannia institutional fund management which runs a passive "market leaders" fund: "You run the risk that the market will stop looking on you as stock pickers. It knocks the belief that professional managers can add value by picking shares."

Second client

Some fund managers have set up index-matching funds only reluctantly. Stockbrokers Phillips and Drew set up one of the first funds in the UK in 1980 for the UK equity portfolio of the Mars pension fund, after Mars had expressed dissatisfaction with the results of Phillips and Drew's active management. But in the autumn, Phillips and Drew took on more willingly a second client.

The merchant bank N. M. Rothschild tested out the possibility of running of a U.S. equity index-matching fund for a client who had complained of erratic performance. But it did not persist for technical reasons.

One of the reasons for the change in attitude to passive management has been a growing awareness among pension fund trustees that the fees they are paying for active management, although low by U.S. standards, are higher than the quoted percentage figures. This is because of the variety of hidden charges that some fund managers make—for example, by retaining continuation commissions or volume discounts on stockbrokers' commissions or earning short-term interest when a fund is briefly liquid.

The other major reason is linked to the growing use and sophistication of pension fund performance measurement services. These have tended to show that over the long term of eight to 10 years the total return (income and capital gains) from the UK equity portion of pension fund portfolios of the average—or median—fund has been less than that from the FT-Actuaries All Share index (with income re-invested). Even after allowing for the minimum necessary dealing expenses, the actuaries Bacon and Woodrow and R. Watson suggest that the median fund has probably under-performed the index.

Many fund managers admit that their funds have become so large that it would be difficult to do any better than the index. For this reason they implicitly "index" a large part of the fund and actively trade with only a few selected portions. But rarely do they admit openly that they are unlikely to beat the index.

In fact, because of the secrecy surrounding the individual performance figures of pension funds the managers are frequently able to make unsupported claims to potential new clients about their past performance. On the basis of such claims, they confidently predict they will outperform the index in future years and will thus earn their fees many times over.

Another widespread complaint is that some fund managers run such diversified portfolios that they are unlikely to perform very differently from the index. But because the managers incur such large dealing expenses through buying and selling shares in the hope of adding value to the fund's performance, the end-of-the-year figure shows an under-performance.

This complaint has provided the focus of the marketing efforts of several U.S.-based financial consultancy groups such as Quantec or Barra International. They say they are able to help UK fund managers translate their views about the economy and the stock market outlook more accurately into the composition of their portfolios through providing a more thorough analysis of the risk characteristics of individual stocks, sectors and entire portfolios.

Among the range of index-matching services now on offer there is an important division of opinion. A few services believe that the only way of guaranteeing a performance which will be precisely in line with that of the index (after adjusting for dealing expenses) is to hold all the 747 stocks that make up the All-Share index in their correct proportions. The U.S. pension consultancy Frank Russell, which runs an index-matching service in London for UK clients, is the leading proponent of this view. According to Mr David Damant, of stockbrokers Quilter Goodison, who deals for Frank Russell's funds, carefully monitored dealing can keep expenses low.

Too unwieldly

But the managers of most index-matching services disagree. They argue that it is too unwieldly and too costly to have to invest incoming money, re-invest dividends, take up rights issues and adjust the weightings of all 748 shares. They also argue that there is no need to make a fetish out of the FTA index by seeking to match it down to the last 0.1 per cent.

Instead they use sophisticated computer programmes which employ many of the tenets of modern portfolio theory to select a representative sample of only 100 to 250 shares and to indicate when adjustments must be made. This, they claim, should be sufficient to ensure that performance comes within 1 per cent of the index returns over a period of three or four years. And just in case a disaster occurs, and a fund seriously under-performs, a Californian company is offering a low-premium insurance service which will guarantee index-matching.

Barra International has developed such a programme for the UK market which is the basis of the County Bank service and has also been used by Barclays Bank in the construction of its leaner portfolio. The Bankers' Trust also runs an index-matching fund using a programme developed in its New York head office.

An alternative, and possibly even cheaper, way of matching the index is suggested by the launch this spring of a UK stock index futures contract by the London International Financial Futures Exchange. But only very small pension funds will be able to view dealing in of financial futures contracts as a realistic substitute for holding the underlying shares, because of liquidity problems.

Most of the vendors of passively managed funds stress that they are not seeking to oust active managers. They say that there are sectors of stock markets, both in the UK and overseas, where shares are not efficiently priced and where an aggressive fund manager, backed up by extensive research facilities, can add value by stock-picking. Thus many propose a "core" portfolio covering 50 to 75 per cent of a fund, which will be indexed, while the remainder will be farmed out to a few active managers.

Participation held back by tax worries

Futures

MARY ANN SIEGHART

THE London International Financial Futures Exchange (LIFFE) is now close to 18 months old. Yet it is only for the last two months that pension funds have been confident enough about their tax position to use the market.

A financial futures contract is a promise to buy or sell a particular financial instrument (like a gilt or a currency) at a particular time and at a specified price. It works on the same principles as futures in commodities or gold.

Investors can use it for three purposes: hedging, arbitrage and speculation. The hedger will buy or sell a futures contract in order to lock into a price or rate today for a transaction he knows he will have to undertake at some time in the future. Alternatively, if he thinks, for example, that interest rates will rise and he has a large portfolio of gilts, he can sell the equivalent amount of futures contracts. If rates do rise, he will lose money on the bonds but make money on the futures in more or less similar amounts. Thus he will have insulated himself against the risk of rising rates.

Cancel out

Arbitrage opportunities can be tapped between different futures contracts, the same contract on different exchanges or between a futures contract and its underlying "cash" market. An arbitrageur will take advantage of local price differences by making two transactions which effectively cancel each other out but leave him with a small, almost risk-free profit.

The speculator, meanwhile, can use futures to take a view on different markets. For instance, if he thinks interest rates will rise he will sell futures, hoping to buy them back at a lower price, and vice versa.

Of these three uses for financial futures, pension funds are most likely to go for the first. As they are by nature conservative institutions, the hedging potential that futures offer allows them both to diversify and, if they use the market right, to reduce their risk.

So far their participation on LIFFE has been limited. A clause in the 1983 Finance Bill, which would have enabled them to hedge with futures without paying tax on any trading profits, fell with the June election. It was not until December of last year that the Chancellor made a statement in Parliament to the effect that the use of financial futures by pension funds would be regarded as an investment and would therefore be exempted from tax.

This statement caught the funds unawares and some are still waiting for this year's year's Finance Bill to be absolutely sure that they can go ahead.

Many have to change the provisions in their trust deeds to enable them to use the market. As Mr George Dennis, member and former chairman of the National Association of Pension Funds' investment committee, points out, "These instruments were not even thought about when the trust deeds were drawn up 20 or 30 years ago."

The trustees have to be won over, too, but if the first few funds which enter the market in earnest find their ventures successful, it is unlikely that permission for the rest will be refused. As Mr Dennis says: "It's a very competitive industry."

A few pension funds have already dipped at least one toe in the water and others are doing dummy runs—pretending to take out a contract and watching its performance over a few months to see if the hedging operation works.

Most of the interest so far has centred on the long gilt contract, which matches up best with the content of pension funds' portfolios. But the scale is small. As Mr Jack Wigglesworth of stockbrokers W. Greenwell, says: "At the moment they're testing the market—dealing in relatively low volume and getting the feel of it."

In the U.S., where financial futures have been traded for much longer, pension funds are major operators. But as Mr John Gilmour, a director of the Chicago Board of Trade (one of the two main exchanges) says: "It took two or three years to educate the pension funds. They are much more involved now than they were two years ago."

One of the most attractive opportunities in the U.S. for the pension funds has been the stock index futures contracts at the Chicago Mercantile Exchange and the New York Futures Exchange. These can be used to hedge against adverse movements in equities.

It also gives them time. For instance, if they think the market is going to rise they can buy a futures contract immediately and spread their purchases of individual shares over a longer period.

Another major advantage is that the transaction costs in futures are much smaller than in their equivalent cash markets. Commissions on the LIFFE gilt contract, for instance, are between £10-£20 per contract for big volume users—much less than in the gilt market itself. And only a small proportion of the value of the contract needs to be paid—typically less than 3 per cent—so the gearing is enormous.

LIFFE intends to introduce a stock index contract later this year, based on a new index of 100 stocks compiled by the Stock Exchange and the Financial Times. The Exchange expects that ultimately this will be the most widely used contract for fund managers.

Meanwhile, both the Exchange and its members are spending time and resources in educating funds in the use of the market. The hope is that the adventurous few will show the others that futures are instruments they cannot afford to ignore.

Challenge to the free choice of the investor

Polities

TONY JACKSON

ONE OF the pension world's hottest political potatoes at the moment is the forthcoming court case involving the trustees of the Mineworkers' Pension Fund — and the National Union of Mineworkers president Mr Arthur Scargill in particular. Mr Scargill is using the courts to challenge the traditional freedom of the pension fund manager to invest as he thinks fit and is opposing certain classes of investment on doctrinal grounds.

Not the least significant aspect of the case is the fact that Mr Scargill's arguments are attracting, if not support, at least a degree of qualified sympathy within the investment community. Partly this results from the adroit way in which Mr Scargill has constructed his case. But it also indicates the extent to which pension fund managers in particular, have *been obliged to concede that* their role has inherent political implications.

It was not always so. Back in the late 1970s, before the advent of the Thatcher Government, the political aspects of investment meant only one thing—attempts by the Left wing of the Labour party, and the TUC, to lay hands on the huge and growing assets of the pension funds and channel them into planned areas of the economy. The pension professionals were having none of it.

In their own minds their role was clear—to achieve the highest possible return on the assets entrusted to them, in the context of a free market. They *were equally clear that this role* was essentially non-political and that to allow political considerations to affect their investment decisions would be a breach of their obligations.

The findings of the Wilson Report seemed to fall in neatly with this view. To the discomfiture of the Left, the report concluded that British industry was not on the whole starved of funds under the existing system but was instead short of viable projects in which it felt confident enough to invest.

The abolition of exchange controls, too, came as apparent confirmation of the free market principle. Tentatively at first, then with growing confidence, fund managers began to switch their cash flow into overseas markets. Within a couple of years the amount of cash going into foreign securities was greater than that being put into UK equities. This naturally infuriated the Left but fund *managers had the comforting* feeling that they had behind them a free market-oriented government which would see things their way.

First sign

Or so they thought. Then a *year ago* things started to go wrong. The first sign of this was the *publication* by the Centre for Policy Studies, the Right-wing think tank, of its pamphlet on personal and portable pensions. The pamphlet called for an end to the system of compulsory membership of company pension schemes and urged that employees should have personally identifiable *pension entitlements* which could be carried around from one employer to another.

The issue seemed at first merely a technical one and the *pamphlet* was in any case to an extent impractical in its proposals. But it soon became apparent that this was only the tip of a large and menacing iceberg. The *Right Wing* of the Tory party had decided that the traditional methods of pension fund management did not represent *free* market philosophy in a pure enough form. The centralisation of investment did not encourage adventurous use of the funds and fund members were not encouraged to think of themselves as independent property-owning capitalists.

Many on the Tory Right now appear to think that individuals should be free to invest their tax-exempt pension entitlements wholly at discretion, even to the extent of using the money to set up *their own* business. This last idea, together with another suggestion that tax exemption for individual investments might *be restricted to high-technology* or sunrise industries, carries the implication that some sections of the Tory Right might in some ways be moving full circle to join the Labour Left. Clearly the lure of over £100bn of pension fund assets is a powerful one; even the purest exponents of the free market economy are tempted to channel those assets towards freedom in a planned way.

Caught between two political extremes the pensions industry is becoming uneasily aware *that its position is not as* ideologically simple as it used to think. In particular the industry cannot bring itself to accept the proposition, held in some sections of the Tory Party, that people should be free not only to invest their own money as they think fit but also to invest unwisely and take the full consequences of failure.

This is anathema for two reasons. First, company pension schemes retain a strong whiff of paternalism, aided by the *fact that for* an employer to set up a pension fund is still a voluntary act, not enforced by law. Secondly those who run the pensions industry are in *many ways children of the* Welfare State. Their attitudes are based on the proposition that provision for the old and poor should be in the hands of experts. For those trained to assume those duties, the proposals of the radical Right smack not of freedom but of *irresponsibility.*

Hence, probably, their degree of sympathy with Mr Scargill, whose objections to investment overseas or in the oil industry are presented as *being in* the interests of preserving miners jobs. This extension of the fund's responsibility — *from* those retired to include those *in work — is unorthodox, but* makes more sense to the pensions industry now that it has been presented with right wing alternatives.

Inconsistency

The local authority pension funds are, in fact, already undertaking initiatives of their own in this respect. Several have begun to allocate a portion of *their funds for* venture capital projects or equity investment within their own areas. The investment criteria extend beyond traditional return to include job creation, through the enterprise board concept.

Beyond the question of employment, though, Mr Scargill and others on the *Left* wing are strongly opposed to overseas investment in principle. On this broader front pension fund managers cease to feel sympathy. There is, indeed, a degree of inconsistency in the Left's arguments; it is claimed that investment in the secondary market in UK equities *denies UK companies direct* access to the funds invested and simultaneously that secondary market investment in Japanese or U.S. equities is helping UK industry's competitors.

At any rate overseas investment by pension funds has continued apace, though slowing down *in* the past six months or so as funds have approached a target weighting of 15-20 per cent of assets overseas. Last October, too, the local authority pension funds, which were previously tightly restricted in the amounts which could be invested outside the UK, were given official sanction to deploy their funds at will.

To combat this, the TUC places much emphasis on the role of the union-sponsored trustee. In the private sector union trustees are still something of a rarity. But in the nationalised industries it is increasingly common for the board of trustees to be composed of union and management appointees, often (as in the Mineworkers' Fund) on a 50/50 basis. The TUC is therefore following the progress of the Scargill case with close interest. If Mr Scargill can establish his argument that the trustees are entitled to take account of considerations other than traditional investment return, there could be scope for union trustees to take stronger action on such issues as investment overseas.

All that is provided the trustees can be relied on to follow the TUC line. It is sometimes held in the City that the Socialist convictions of union trustees dissolve on first contact with a merchant bank's Chablis and smoked salmon. This is unduly cynical; but it is a fact that union trustees are generally approaching investment for the first time, often late in life. It is asking a good deal to expect them to master the conventional techniques — as is their first duty — and at the same time question the underlying assumptions. The TUC, conscious of this, places much stress on its own training programme for trustees but the task is an uphill one.

When institutions need to show muscle

Shareholders' role

RAY MAUGHAN

FOR MUCH of this decade pension fund managers have come to accept the possibility that on certain specific occasions the responsibility of share ownership brings with it the power of proprietorial control.

Put another way, company directors are paid by the shareholders to manage. If that relationship is seen to be breaking down, or faces the threat of breaking down, the owners of the company are empowered to seek to rectify the relationship. More bluntly, big shareholders can remove underperforming management or block its more controversial actions.

It would be wrong to see shareholder power as a potent and permanent new force in corporate Britain. Far from it. Fund managers are just as likely to surrender their proprietorial powers by selling their shares.

A glance at the Dunlop share register shows that the investing institutions responded to severe losses and successive *rounds of corporate retrenchment* by voting with their feet. Their place has been taken by big Far Eastern block holdings and the myriad small U.S. shareholdings which make up the big stake by American Depositary Receipts. An odd state of affairs for a company which until very recently was an index constituent.

New mood

But times are changing. One of the first illustrations of the new mood was the case of the Marks and Spencer board's housing arrangements. Public though the affair may have been, the pension funds' action *was scarcely indicative of the* way things were moving.

It is one thing for a fund to remind a board, for which it has the deepest respect, that it must "be seen to be on the side of the angels"; it is quite another to seek to wield power at the harshest level by removing directors.

When push comes to shove in a company's decline, its owners face many problems when putting up a united front to press for remedies. The sheer numbers of important institutions found on a typical register make for a logistical problem.

Another difficulty is the preservation of secrecy within a gossipy, tightly knit financial community. And if, say, institutional pressure is calling for the resignation of the old guard, the arrival of fresh management, proven elsewhere, might be bullish for the share price.

Are the funds then in receipt of inside information? In cases where, rather than forming a recognisable entity to pursue a pre-determined path, the funds *remain a loose-knit ad hoc* group, at what point, if any, does their collaboration constitute a concert party?

The most overt example of institutional muscle is the consortium bid. Their success rate has been mixed but in the leading instances the funds have relied on the vision and resolve of someone outside their ranks to get things started and to keep pushing to their conclusion.

The consortium bid for F. W. Woolworth was instigated by Mr Victor Blank at Charterhouse Japhet and succeeded not least because the U.S. retailing parent could deliver majority control of its ailing UK offshoot at a stroke.

Too unwieldy

Gerald Ronson's offer for UDS Group, backed by several investing luminaries ultimately failed. It is arguable that a technical hitch which delayed the start of the bid for an important handful of days at the outset was responsible for thwarting Mr Ronson.

UDS was all but defenceless at the beginning and his Bassishaw consortium might well have taken control but for the delay. By the time UDS had set up some sort of defence and Hanson Trust was on the scene, the consortium proved far too unwieldy *to compete against a* nimble, individual opponent in the auction which developed.

Another, more recent, example of the institutionally *backed bid is Prestige Group.* Here again, the U.S. parent, American Home Products is in a position to deliver control of the kitchenwear manufacturer and had already invited offers for its 73 per cent.

Existing management will play a continuing role in the group, however, with option kickers linked to future performance to give them a countable chunk of the equity.

But equally important, if somewhat less obvious, is the funds' role in challenging management. Kwik-Fit (Tyres and Exhausts) Holdings for example, sought to acquire a property company in which certain of its directors had management control. Laudable though the aim may have been in eliminating any potential conflict of interests as Kwik-Fit built up its property assets, the pension fund objected to the price offered for Crest, the property group, and succeeded in securing an amendment of the offer terms.

The case of F. Miller, subject to a bid from Nottingham Manufacturing, also caught attention when Miller's institutional investors almost all said they would back a new management team rather than take the Nottingham offer accepted by the incumbent board.

Again, their opposition centred on price and, for a while, Prudential Assurance stood out as the lone institutional support for the Miller board's point of view.

Yet it was the man from the *Pru who stood up at Rank* Organisation to welcome the management changes unveiled at the office equipment and leisure group's annual meeting last year. That brief welcoming statement gave little hint of the rounds of negotiations between the funds themselves and with Rank which eventually gave rise to the appointments of a new chairman and a new chief executive.

Willingness

Taking in the institutional opposition to directors' pay-offs at ACC, the independent valuations sought by the funds to evaluate any de-merger of Harrods from House of Fraser and their part in the enforced changes at John Brown, the engineering and contracting group, the funds, it now appears, have properly established their willingness to get involved in management affairs.

The point that the funds stress, all the same, is that their involvement is focused on particular issues such as housing compensation payments and the like, and the long-term direction of companies. Nobody is suggesting that the funds are remotely concerned with day-to-day management, nor should they be.

Golden goose from Uncle Sam

ERISA funds

DUNCAN CAMPBELL-SMITH

ERISA, for those remote enough from the investment market still to require an introduction, is the name of perhaps the largest overseas golden goose to come the City of London's way for many a long year. Its golden eggs take the shape of U.S. corporate pension schemes available for international management and now worth about $11bn, up from $7bn in just the past 12 months.

No self-respecting goose would want to be known as the Employee Retirement Income Security Act. But that piece of U.S. legislation in 1974, which laid down guidelines for corporate pension plan administration, undoubtedly helped to stimulate a general review by American companies in the mid-1970s of their funded pension plan investments.

The ERISA acronym is therefore as good a description as any for one major consequence of that review—the phenomenon of huge amounts of money suddenly seeking international management as more and more U.S. pension fund executives accept the logic of diversifying overseas.

The estimated $11bn so far diversified marks a tiny 1.4 per cent of the total $800bn pool of U.S. pension money. Its significance for the City of London, though, is underlined first by the rapid rate of growth—probably 50 or so U.S. corporations in 1983 joined the 175 names already dipping a toe in international waters a year ago—and secondly by the fact that half-a-dozen UK merchant banks figure prominently among the small number of managers benefiting from the trend.

InterSec Research, the U.S.-based company which makes a study of the investment industry internationally, has just completed a survey of the 300 largest pension funds in the U.S. It discovered that 60 per cent had already made a commitment to an overseas manager and that of these some two-thirds expected to lift the size of their commitment to foreign markets significantly. The average commitment today is 5 per cent and InterSec estimates that this could grow to 10 per cent by 1988.

Furthermore, of the remaining 40 per cent yet to take the plunge three-quarters thought they would do so by 1988 and anticipated having about 8 per cent of their portfolios abroad by then. No wonder InterSec sees the $11bn growing to $16bn this year and perhaps $22bn in 1985—and, as Mr Chris Nowakowski, the company's president, says, "there is a whole, helluva lot more where that came from . . ."

Probably close to 100 per cent of the money leaving the U.S. remains under the administrative custody of U.S. commercial banks, most particularly Chase Manhattan. Chase has based its Global Custody Administration department in London because, as its manager Mr Colin Grimsey explains, "It seems the obvious place with a huge pool of qualified staff who are internationally minded and used to dealing with international transactions."

Custody of ERISA funds means big fees for Chase—the department is certainly providing one of the four core products underpinning the bank's London profits—and presumably yields an attractive spin-off in terms of foreign exchange dealing and currency deposits business on behalf of the administered accounts.

Rapid growth has not been the only salient feature of 1983-1984 for Chase in this context, for questions have been raised within the U.S. about the propriety of any custodian bank depriving spin-off business in this way. The U.S. Department of Labour has asked for representations on the matter from the American Bankers Association, making it what Chase bankers refer to as "a smokey issue." But a good case will no doubt be made for the status quo and it is easy to appreciate the complications of any alternative that required deposit and exchange business, for example, to be handled by third parties. "Administratively," says Grimsey, "we do think it could be extremely inefficient."

Under eye of SEC

A vigilant eye is kept on all ERISA activity by the U.S. authorities, including the SEC (Securities Exchange Commission) and UK-based broker/dealers remain very wary of any involvement which could be construed as running contrary to domestic investment practices. This is true especially of those brokers planning an expanded presence in the U.S., though they are well aware of the ERISA phenomenon.

"But you cannot just go out aggressively looking for this business if you are a broker," explains Mr James Fergusson, a partner at James Capel and Co which plans to open a New York office in mid-1984. "We are specifically a broker and must be careful not to risk confusing this role with that of investment adviser."

Brokers have an added consideration, anyway, emphasised by Fergusson in the case of J. Capel itself. "The idea of setting up a U.S. fund management division would be a fundamental departure for us because it would mean we were competing with our own clients in many cases—that is something we would not do without thinking very hard about it first."

The clients in question are those leading City merchant banks like S. G. Warburg and Kleinwort Benson which have successfully broken into the market. For them the main problem is neither U.S. law nor the impact of ERISA contracts on their existing UK business but the straightforward difficulty of achieving a sufficiently impressive track record at international management to win the business on offer in the U.S.

Pitching against them are some of the leaders on the U.S. fund management industry, most notably Morgan Guaranty. The latter's London-based international investment division probably now handles almost £2bn of the ERISA funds placed outside the U.S. and still easily overshadows the other players. Nevertheless, the UK merchant banks have persevered since the late 1970s and have undoubtedly made important inroads over the last year or so.

Baring Brothers, for example, only picked up $10m from its first ERISMA client, Inland Steel, contracted in 1980. But this at least allowed it to resolve the chicken-and-egg problem that ERISA funds normally only go to managers with proven ERISMA capabilities. In 1982 Barings felt it appropriate to start pushing far harder for more business and today it has nine fully discretionary ERISA accounts worth $280m.

A striking aspect of Barings' approach is that it uses one central policy-making body in London—Barings International Investment—to decide on the allocation of funds in the light of currency and macroeconomic factors but then leaves the *actual choice of specific investments* as far as possible to its experts working in the countries of Europe and the Far East. "We believe that on-the-spot stock selection leads to better investment performances," says Mr Peter Hartley, BII's managing director, "and gives us a better chance of outperforming the locals at their own market."

Rather a different line is taken by Morgan Grenfell, the merchant bank which has probably been the most successful in the ERISA field to date. It manages some $350m on behalf of 35 U.S. clients and adheres firmly to the principle of one centralised management rather than the geographical allocation of assets.

Coupled with this approach—which admittedly goes hand in hand with Morgan's ready access to its own advisers working abroad, notably in Tokyo—is the bank's slightly different attitude to the currency factor. "Currencies are obviously a moderating influence," says Mr Michael Bullock, managing director of MG Investment Services; "but over time it is stock selection which will really determine performance."

Something else distinguishes Morgan Grenfell from Barings and most of the other UK competitors in their ERISA activities. The latter take on only "EAFE" mandates, for investment of funds in Europe and the Far East. But Morgan Grenfell has a minority of contracts which, being global, allow it to commit funds even to U.S. markets where it thinks fit.

It is an intriguing and perhaps not wholly fanciful prospect that successful ERISA management within the U.S. as well as other world markets might one day open the door for London's leading fund managers to a share of the great bulk of U.S. pension business which is always likely to stay firmly within its domestic markets.

Guided channel for funds abroad

Exempt trusts

WILLIAM DAWKINS

SPECIALISATION is becoming an increasingly important buzzword among pension fund managers everywhere. It first came into vogue five years ago when the lifting of exchange controls made available to pension funds a wide range of previously untapped overseas opportunities and put specialist knowledge of foreign equity markets at a premium.

Before controls were abolished well under a tenth of pension funds' cash flow was invested abroad. The proportion quickly grew to 20 per cent and by early last year it had crept up to around 30 per cent.

Anecdotal evidence suggests, however, that more recently pension funds have put slightly less emphasis on foreign investments, since many fund managers have begun to reach their desired overseas weighting. In addition, the weakness of sterling has limited their opportunities to buy foreign equities cheaply.

At home, meanwhile, the success of the Unlisted Securities Market, plus the tax incentives introduced under the Government's business start-up and expansion schemes, have helped to open up another set of investment opportunities, in the venture capital industry.

These factors, assisted by the poor returns achieved on property recently — which makes up 12 per cent of the average pension fund portfolio —have put increasing pressure on fund managers to cast their nets into hitherto ill-charted waters.

However, the special difficulties involved in trading in many overseas stock markets and the highly labour-intensive "hands on" management approach required in venture capital investments have put these areas *beyond the reach of all but the* largest pension fund managements.

One answer to the problem is to invest via somebody with experience in such fields by purchasing units in a tax-exempt unit trust.

Many exempt trusts are run by merchant banks specifically for their small- and medium-sized clients as well as for their own in-house pensions funds. Most of the company pension schemes investing in the Barclaytrust International Exempt Fund, for instance, have assets of between £1m and £5m. Mr John Caine, executive director of Barclays Investment Management, points out: "It is simply cheaper and more economical for small pension funds to invest overseas that way."

The proportion of the pension fund industry's money invested in exempt trusts is tiny—a mere 3.5 per cent of the funds' £100bn-plus assets.

But their importance in providing a vehicle for investment in specialist areas is underlined by the fact that only a negligible share of pension funds' holdings in the UK stock market is acquired via unit trusts.

The proportion of property investments held via unit trusts, by contrast, is 15 per cent, while the share of Far Eastern investments made through unit trusts is almost 15 per cent; 7½ per cent of pension funds' total overseas investments are made via this route.

The appeal of exempt trusts is not, however, necessarily confined to small pension funds with limited research resources.

EXEMPT UNIT TRUSTS

Type	— as at 31.12.83 — Number	Size £m	— as at 31.12.82 — Number	Size £m
UK equity	30	815	29	606
European	4	36	n/a	n/a
North American	13	326	15	252
Far Eastern	19	564	15	304
International	7	121	7	82
Fixed interest	4	37	n/a	n/a
Property UK	21	1,537	20	1,482
Property overseas	11	438	n/a	n/a
Mixed	6	102	n/a	n/a

Source: The Wyatt Company, London.

Postel Investment Management Services, the biggest pension fund management group in the country, handling the combined £7bn resources of the British Telecom and Post Office pension funds, keeps around £20m in exempt trusts.

"In comparative terms that does not look very significant but we regard it as very important," says Mr George Dennis, Postel's director of securities investments. "Our holdings in exempt trusts provide a useful source of competition for our in-house management. It is a good discipline—and we are *after all in the performance* game.

Postel also chooses exempt trusts for areas complementary to its own investment activities. It handles venture capital investments in financial services businesses in-house, but leaves manufacturing venture investments outside fund managers.

Pension funds have always tended to prefer exempt trusts to *standard* authorised unit trusts, even since 1980 when Capital Gains Tax on authorised *trusts* was abolished.

The most tangible distinction is that exempt funds' management charges can be as little as half those of authorised trusts. Otherwise the differences are more to do with investment philosophy.

Because exempt funds tend to be larger, pension fund managers believe that unit prices will be less vulnerable to weakness on a wave of selling. Exempt fund managers are also believed to make longer term investment decisions than standard *unit trust managers, with* the result that there should be less risk of frequent large cash withdrawals.

In line with their specialist function the most popular investment area for exempt funds last year was Japan and the Far East, where total assets grew by 85 per cent in sterling terms and five new trusts were started.

The best single performance came from the £85.4m Edinburgh Exempt Japan trust, which scored a 72.8 per cent *asset growth in the year to* December, well ahead of the biggest exempt fund in the region, the £236.9m Fleming Japanese Exempt, which grew by 54.6 per cent, putting it roughly in the middle of the exempt funds' Far Eastern asset race.

On average the Far Eastern trusts beat the Tokyo New Stock Exchange Index by well over 10 per centage points, while all other classes of exempt fund performed more or less in line with their respective indices.

Japan's popularity appears to have been at the expense of the U.S. as pension fund managers took profits on the strong dollar and moved to the undervalued yen, motivated by long-term optimism over the Japanese economy and pessimism over the course of U.S. interest rates.

Against the background of a *lack-lustre property market*, exempt property trusts lagged behind the rest of the field for the second year running, showing an average asset growth of only 8.3 per cent.

Venture capital trusts are still insignificant in size in relation to the exempt fund industry but many observers believe they represent its fastest growing area. The most recent arrival is a £7.35m fund launched last month by Hoare Govett and Candover Investments, geared to financing management buy-outs and unquoted companies.

Pioneers in this field are merchant bankers Lazard Brothers. The Lazard Small Companies Exempt Fund was launched four years ago, primarily to invest in quoted companies worth less than £40m but with an ability to invest up to 10 per cent of the fund in unquoted companies.

Then last May Lazards launched its Ridings Unit Trust, which invests in generally unquoted small companies in the Yorkshire and Humberside region. Taking its inspiration from local authority enterprise boards, the trust was expected to attract interest chiefly from local authority pension funds. However, private sector pension funds have bought 40 per cent of its units and since its launch the fund has doubled in size to £1.2m, including a 15.5 per cent unit price increase.

Lazards followed up the idea with a Northumbria Unit Trust last September and plans a third regional trust, based in *the North-West, next month.*

"I am convinced that venture capital will become very much more important for the pension fund industry in the next few years," says Mr Anthony Puckridge, the Lazards director in charge of regional trusts.

Meanwhile, the possible advent of portable pensions may open up the opportunity for substantial growth in index-linked trusts as roving employees seek to hedge at least part of their pension portfolio against future rises in the inflation rate.

The first index linked exempt trusts to have been launched is another Lazards vehicle, the Lazards Index Linked Mortgage Unit Trust (*Lilmut*), which invests in index linked residential and commercial mortgages and promises a 4 per cent return over inflation, against 3 per cent real for gilts.

Since its arrival two years ago Lilmut has had a lukewarm reception from fund managers and its assets have remained broadly static at just over £5m.

But come the first rash of portable pensions and any upward blip in the inflation rate, and Lilmut and index-linking may become the next buzz-words in pension fund management circles.

Small 'boutiques' move into the $900bn market

The U.S. scene

WILLIAM HALL

SCARCELY A month goes by in the U.S. investment management community these days without the news of another group of investment managers quitting a major U.S. financial institution to set up their own investment "boutique."

They travel under various titles — money managers, investment advisers, portfolio managers, pension fund managers — but they all share the same objective — to win a slice of the $900bn of U.S. pension fund money which has to be managed.

Traditionally, this money has been managed by the trust departments of major U.S. banks and the big insurance companies. But lately a growing portion has been handed over to new firms, which often only boast a handful of professional staff. The new entrants to the field promise their clients above average performance for the money they are given to manage and this siren song is beginning to affect even the most conservative of the trustees who are charged with ensuring that the pension fund billions are wisely invested.

Investment advisers in the U.S. normally charge anywhere between one half of one per cent and 1 per cent per annum of the total assets managed for their services. On this basis U.S. pension fund advisers stand to generate up to $9bn a year in fee income and for the new investment "boutiques," often operating from small offices in the suburbs of America's major cities, the chance of winning the management of even a few hundred million dollars of U.S. pension fund money offers rich pickings.

Unlike the traditional U.S. pension fund managers who have to support large staffs and operate from expensive offices in the financial district, the new generation of "investment boutiques" have small overheads, requiring little more than a telephone and a few professionals who resolutely believe they can outperform the rest of the herd.

The combination of limited capital requirements plus the absence of any serious legal obstacles to entry into the U.S. pension fund management business has led to a veritable explosion in the numbers of firms advising U.S. pension funds. The U.S. Securities and Exchange Commission (SEC) has close to 7,000 firms registered as investment advisers and more than 1,200 new firms have filed for registration since 1980. Although no accurate statistics are kept, these figures give an idea of the growth in numbers of investment advisers recently. The vast bulk of them have been set up to attack the U.S. pension fund management market.

Monitoring

The prime reason for the success to date of these investment "boutiques" is that they are playing on the pensian funds' desire to outperform the market. At a personal level, salaries of many employees in the industry are linked to performance of the assets under management and this has led to increasing scrutiny of even short-term performance figures.

A. G. Becker, the U.S. brokerage firm that monitors the performance of 3,500 U.S. pension funds has consistently found that pension funds in its sample produce lower returns than other investors achieve. According to an article in the summer 1983 issue of the Federal Reserve Bank of Boston's economic review, the equity performance of the Becker sample of pension funds earned a median annual return of 7.8 per cent over the 20 years to 1982, compared with an annual return of 8.3 per cent for the Standard and Poor's index of 500 stocks, a common benchmark for investment performance.

In other words, if the fund managers had arbitrarily placed all their money in a cross section of stocks, they would have done better than they did using sophisticated techniques. The Federal Reserve Bank of Boston article also found that not only had the pension funds performed poorly compared to the market average but that they had also achieved significantly lower returns than their sister institutions, the U.S. mutual funds. According to data prepared by Lipper Analytical Services for an analysis by Roy Schotland of Georgetown University, mutual funds consistently outperformed the pension funds whether looked at over three, five, ten and 20-year periods.

The combination of poor performance over the years by the U.S. pension funds plus the emergence of a new breed of financial consultant who monitors the performance of individual investment managers has led to the pension funds of both the private and public sectors becoming much more mobile in their choice of investment advice. Gone are the days when a major U.S. corporation would hand over the management of its employees pension fund to a major bank and forget about it. These days corporate pension funds tend to be split up among dozens of individual advisers in some cases, with one adviser's performance being measured against another. Increasingly, the big corporations are parcelling out chunks of their pension funds to the newer investment "boutiques" which have demonstrated above average performance.

Such firms gain a sort of "star" status which is enhanced by pension funds' willingness to switch advisers to whichever firm has done best in the last quarter. At the same time the task of switch advisers is made more easy by the existence of "master trustee" companies which take care of all the administration of pension fund assets.

While the major U.S. banks and insurance companies still account for the bulk of U.S. pension fund management, the appearance of the latest generation of investment "boutiques" has led several of them to revamp their operations.

Morgan Guaranty, one of the major players in the game, has suffered from defections from its investment advisory staff like other major institutions. Earlier this year several members of its international investment management team in London quit to join a new unit being established by American Express. Morgan is planning to spin off its investment advisory staff into a new unit.

The aim is to make the new operation more flexible and responsive to the changing needs of the marketplace. By operating a separate unit, Morgan, like others, hopes to be able to offer the sort of advantages of the small "boutiques" while retaining the strengths of the large firms.

Most of the big U.S. pension fund managers have been reorganising themselves to take advantage of the growth opportunities in the pension field and also to counter the challenge of the investment "boutiques."

Chemical Bank, for example, has renamed its investment management operation as Favia Hill and Associates. Bankers are conscious that their image as "big and stodgy institutions" does not help them compete in today's performance-orientated environment. Chemical obviously believes that by setting up an operation which does not even have the name Chemical in its title it will help the new unit foster the appearance as an independent entity which is not constrained by the bureaucratic workings of a major institution like Chemical Bank. Few other major institutions have gone to quite the same lengths to distance their investment operations from the rest of their business.

However, several major insurance companies have been quietly buying up established U.S. investment management firms. Indeed in Boston, one of the biggest centres for investment management in the U.S., most of the major local firms are now subsidiaries of other institutions. New York's Metropolitan Life recently bought State Street Research and Management, Shearson American Express bought the Boston Company; Sun Life Assurance of Canada bought Massachusetts Financial Services and New England Life is the majority owner of Loomis, Sayles. These firms continue to operate as independent pension fund advisers and give their owners a stake in the fast-growing U.S. pension fund advisory business in addition to their in-house pension fund advisory activities.

Love affair

The batle between the established big pension fund managers in the U.S. and the newer investment "boutiques" will continue to be fought for some years to come. However, there are a number of straws in the wind that suggest that the pension funds' "love affair" with the new "boutiques" may be beginning to fade. The recent shakeout in the U.S. stock market has hit many of the high performance shares favoured by the "boutique" advisors as opposed to the less glamorous "blue chip" shares which tend to be the mainstay of the big institutional advisers.

Nothing succeeds like success in the U.S. pension fund management business and the recent sharp setback in U.S. share prices has dented quite a few reputations among the high-flying investment "boutiques." U.S. pension funds are beginning to wonder whether their pursuit of short-term performance might not be better tempered by a longer term persoective. They are conscious that while they can criticise the track record of the big pension fund advisers some of the new firms do not even have a track record.

The second reason why the current fad for investment advisory "boutiques" micht be beginning to wane is that an increasing proportion of U.S. pension fund money is going into overseas stock markets and the sort of infrastructure needed to support an international investment advisory firm as opposed to a purely domestic form is considerably large. The expenses are considerably higher and the risks of dabbling in overseas markets with limited access to research material are likely to dampen the enthusiasm for international "investment boutiques."

More interest by fund trustees

Scotland

MARK MEREDITH

ONLY LATE in the day have Scottish financial institutions started to make an impact in the field of British pension fund management.

Scotland provides but a fraction of the money flowing into pension funds but changes in the marketplace and among the financial institutions themselves have recently made Scotland more attractive to fund trustees.

Furthermore, over the past few years international pension funds have started to flow through Scotland especially from the United States where there is a greater readiness to accept regional financial centres. This in turn has added to the growing diversity of the financial sector north of the border in Britain.

Scotland, nevertheless, is well down the league in handling the over £100bn in pension funds in the UK. Of the internally managed, in-house pension funds which account for 31 per cent of the market, only two large companies, Distillers and Coats Patons, are resident in Scotland.

The small cluster of independent merchant banks have made little impact where their colleagues in the South control another 31 per cent of the funds. Stockbrokers have about 12 per cent of the national market but the proportion of this based in Scotland is negligible.

Making the running

It is in the life insurance, independent fund management and, to a lesser extent, in the banking sectors where Scotland has made the running.

According to one estimate of the £33bn pension funds managed by the banking sector, the British Linen Bank subsidiary of the Bank of Scotland, the Royal Bank of Scotland and the Clydesdale Bank control about £1bn between them, less than 3 per cent of the total.

The Scottish insurance institutions make up for the weaknesses in other areas with between 15 and 20 per cent of the £9bn pension funds managed by this sector. Scottish Amicable's Scampi scheme along with Scottish Widows and Standard Life have been the front-runners for large fund accounts.

The most recent force in the pension fund market has been the independent investment trusts which have over 10 per cent of the £13bn pension funds looked after by these institutions in the UK.

Ivory and Sime with £750m, Murray Johnstone with £500m, Walter Scott and Partners with £300m and Baillie Gifford with £130m have pushed an increasing amount of time and talent into fund management.

Pension fund management has been taken on board by investment trusts in recent years partly as a protection in the face of predatory raids from merchant banks south of the border who from time to time have taken advantage of the large discount rates for some trusts to buy in and force the unitisation, making a healthy profit on subsequent sale.

But fund managers such as Ivory and Sime and Murray Johnstone have reduced or eliminated their discounts partly through specialisation and used their accumulated expertise as a marketing tool to bring in pension fund business.

Dr Walter Scott left Ivory and Sime to set up his partnership a year ago to specialise in pension funds alone. "All of my clients are south of the border," he noted. But Edinburgh's geographical location away from London has not influenced the success or failure of funds in Scotland, he said.

However, the vast majority of business is still in the City of London. It is here the investment trusts or insurance houses find themelves at the now well-established "beauty contests" with other contenders for new fund management.

"Being out of London has an advantage as we offer pension funds a long-term view of a portfolio with low turnover of stocks and not too much day-to-day jobbing," said Mr Giles Weaver of Ivory and Sime.

Mr David Berridge, general manager of Scottish Equitable, said that about 90 per cent of his life assurance society's pension fund business was based in England. The Equitable, unlike Scottish Amicable and Standard Life, has pushed at the medium-size company pension market.

The Scottish market may benefit for the change under way in the London market place.

With only two large in-house pension funds originating in Scotland the bulk of accounts are from the local authorities. These, too, have tended to be placed with London brokers although the scene may now sta** to change.

Murray Johnstone in Glasgow has taken over half of the £800m Strathclyde Region Pension Fund account, a significant breakaway from tradition and other Scottish regions are examining their need for centring activity in London.

The other indicator of the strength of pension funds in Scotland is the presence of the stockbroking firm of Wood Mackenzie and its pension fund service.

The service is a performance measurement system for UK funds providing individual commentaries, comparative reports and other data from its Edinburgh-based computers.

Barry Riley looks at the pioneering work of Rank Xerox

Testing a new strategy

A LITTLE more than a year ago Rank Xerox surprised the pension fund world by making a commitment to inflation-proof not only the pensions of its retired workers, but also the deferred pensions of early leavers.

The £210m scheme has also made other pioneering moves, notably in its decision to provide every scheme member with a detailed personal statement of benefits every year.

RX's chairman, Mr Hamish Orr-Ewing, is also chairman of the management committee. "We have always perceived the pension scheme as an integral part of the company's activities," he says. Because of the young age structure of the workforce and the high profitability of the company, RX had "a unique opportunity" to set high goals for its scheme, which was started in 1971.

Enlightened

Inevitably, it is an expensive scheme. At one time the total funding rate reached 28½ per cent, although this has fallen a little to 24 per cent, with 19 per cent from the company. This is generous, though Mr Orr-Ewing points out that it is enlightened self-interest as far as RX is concerned.

The availability of inflation-proofed benefits has made it easier for the company to reduce its workforce through voluntary early reitrement. While there could be a danger that key employees—which the company wished to retain—might also leave more readily, Mr Orr-Ewing believes that "competitive excellence" in pension schemes is an important factor in attracting and retaining the right people.

Not surprisingly, Rank Xerox is progressive in its investment policy as well as in its benefit structure. In recent years the scheme has broken away from the traditional UK approach, and adopted a system which is reminiscent of modern American practice.

Although RX is the subsidiary of an American multinational, it insists that it was its own decision to bring in Frank Russell International as investment consultant in 1981.

There followed a fundamental review of strategy in the early part of 1982. One original fund manager ,stockbroker Grieveson Grant, was retained but Rothschild was dropped, and another broker, De Zoete and Bevan, was hired along with the independent Edinburg managers Ivory and Sime.

"We decided that £40m to £50m was as much as a manager ought to have," says Mr Gary Thomas, the RX financial executive who heads the pension scheme's investment committee. They had also become rather dissatisfied with the traditional type of balanced manager. "They didn't seem to be able to perform well in all markets at the same time."

The Rank Xerox scheme therefore moved in the direction of more specialised investment advice, with each manager being given a detailed brief and a specific performance target. The general objective is to beat the FT-Actuaries All-Share Index. "We aim to appear in the second quartile of the Wood Mackenzie service," says Mr Thomas.

However, the investment committee also decided to underpin the performance by setting up an indexed core portfolio. This contains half the UK equities, about 20 per cent of the fund as a whole. It is operated on a computerised basis by Frank Russell, and has performed within a permitted divergence of a quarter of a percentage point form the All-Share.

In addition, RX has brought in Warburg — insisting on a special equity orientation which was different from the bank's normal balanced approach — and put a modest amount of money with Throgmorton a successful specialist in small company investment.

Interviewing

All this has involved the investment committee in a lot of interviewing of prospective managers. "In some places you reckon you will get what the system gives you. In others it depends on the individual manager," observes Gary Thomas. But he emphasises that "it's absolutely vital to know who is going to manage the portfolio on a day-to-day basis."

As well as the security market advisers, RX has appointed Richard Ellis to advise on direct property investment, which accounts for about 10 per cent of the portfolio.

The overall result of the various management appointments has been to leave the fund with a fairly aggressive portfolio. As at last March only 14 per cent was in gilts, and as much as 29 per cent in overseas equities, well above the average.

The new strategy has been in force for less than 18 months. Rank Xerox will judge the success or failure of its approach over a period of three to five years. But so far the investment committee is pleased with the outcome.

Mr Hamish Orr-Ewing, chairman of Rank Xerox: commitment to inflation-proof pensions

THE PORTFOLIO

Manager	Market value (as at 31.3.83)	Specialisation
Grieveson Grant	£49.0m	First fund—gilt-edged Second fund—overseas equities
Ivory & Sime	£24.6m	Equities—overseas bias
De Zoete & Bevan	£23.9m	Equities—overseas bias
Fidelity Intl	£7.6m	UK equities
Warburg	£7.1m	UK equities
Throgmorton	£3.3m	Equities—small companies

Why the retreat is carried out on tip-toe

Property Investment

MICHAEL CASSELL

COMMERCIAL property as an investment has fallen heavily from grace. When, and if, it can ever regain its popularity is a question currently exercising the minds of most fund managers and not a few property developers.

In the last twelve months the funds' view of property and its ability to produce comparatively attractive returns has been starkly underlined by the level of new resources they have committed to a sector which a short while ago appeared to be everybody's sweetheart.

Final figures for 1983 are not yet available but the pension funds put about £380m of new money into property assets during the first nine months of the year, compared to £635m in the corresponding period of 1982 and an even higher figure in 1981.

Most of the big pension funds have slashed their exposure to property as a previously landlord-led market has given way to one in which the tenant invariably holds the upper hand. Confidence has been significantly undermined.

For sizeable chunks of the property market real rental growth has been non-existent while capital values—the other important element in the property investment package—have stagnated or fallen back.

With no guaranteed allegiance to continued property investment — though with huge historic commitments in the sector — the funds have been performing a delicately orchestrated retreat; the least said, the better, for fear of bringing down the house of cards.

Indices

Just how badly property has been performing in relation to other investments is being shown by a variety of indices produced by the property industry. The property performance index provided by Richard Ellis and Wood Mackenzie, now in its fifth year and embracing assets of nearly £5bn, shows the aggregate total return from the sector in 1982-83 was a miserable 3.9 per cent. The yield compares with 12.7 per cent in the previous twelve months, over 17 per cent in the year before that and 21 per cent in 1979-80.

Property, as every investor is quick to point out, is a long-term business and Ellis reinforces the point by emphasising that the annualised return over the four-year period up until 1983 was 13.5 per cent, almost 2 per cent ahead of the retail price index for the same period.

So an overall real return may have been achieved, though hardly on the scale seen in the recent past and well below the returns on other forms of investment such as UK equities (18.5 per cent), U.S. equities (19.5 per cent) and cash (15.1 per cent).

But if property is cyclical, must not such weak patches surely be expected, tolerated and seen on their way as quickly as possible? What, however, if the ground rules have changed and all the old conventions and expectations upon which property investment was based no longer necessarily apply?

Is property investment a better or worse deal when inflation is low and likely to stay so and can it ever again be expected to perform as it has done in the past? As one experienced developer who lived through the holocaust of early 1970s puts it: "The whole thing has been turned upside down and an uncomfortably large number of people with uncomfortably large volumes of money in property do not seem to have fully latched on.

"In an era of high inflation, and negative interest rates, the property investment market saw more than proportional increases in asset values. Now we have low inflation, low growth and high real interest rates.

Doubts on growth

"There is no reason to assume property values will expand any faster than the values of any other investment and there is no merit in expanding property interests for expansion's sake. With positive interest rates, there has to be genuine growth to justify continuing investment. That is not there in most cases and the prospect of growth at the levels which justify present yields remains far from certain.

"A great deal of current development in the office sector, for example, is dependent on the institutions continuing to forward fund at 5 or 6 per cent. But where are the tenants going to come from? The inflation rate is irrelevant, a real return is vital."

That yields for most types of property have not risen further does look puzzling, particularly when the prospects for a comparatively weak overall market still persist. The suspicion is that funds are buying as they bought in the past and assuming that the future holds no surprises.

The whole question of yields has come under the microscope over the last 18 months and a small but vociferous minority (in public at least) have raised doubts about their accuracy. Not least is the question of depreciation and obsolescence of property, which some say must now be taken into account before returns can be meaningfully compared with alternative investments.

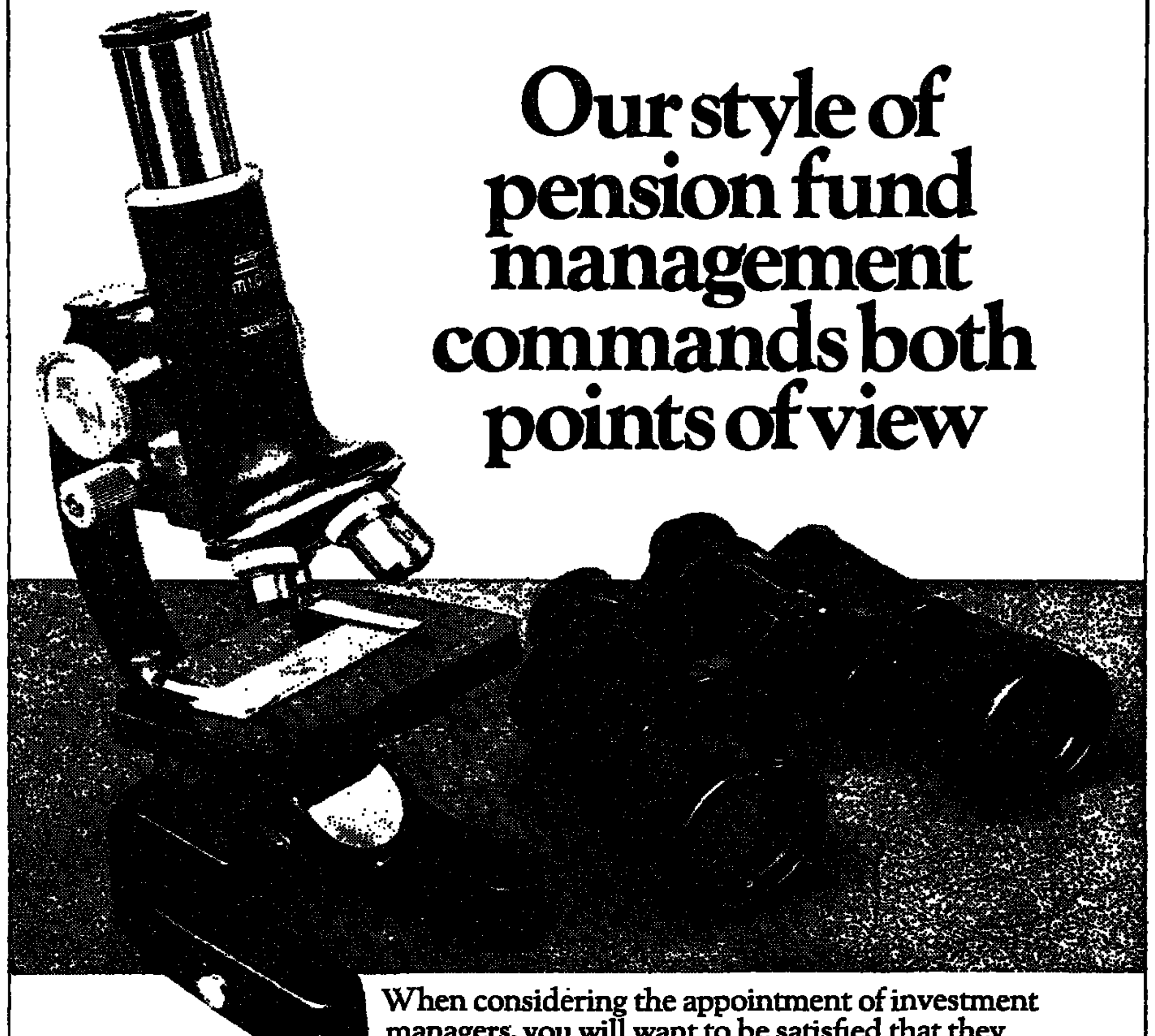
Important question

The question of ageing property, particularly in the office sector, is one of the most important overhanging the entire property market and a subject which the investing institutions will ignore at their peril. It is significant that the overwhelming proportion of new money being put into property by the institutions currently involves developments but an increasing proportion of the portfolios which provide the legacy from their earlier spending programmes now demand attention.

Tenants' expectations in terms of quality and efficiency of accommodation have rocketed in the last few years and the shortcomings of older properties can now rarely be overlooked in a market where floorspace outpaces demand and where inflation cannot be expected to save the day.

There are already clear signs of a polarisation in terms of performance between the old and the new and funds with a substantial proportion of older property should have no problems in finding suitable cases for treatment over the next few years.

Any further investment funds available to the property market might well pay increasing attention to the prospects of acquisitions overseas. Not every pension fund has the resources or the management expertise, however, to follow in the footsteps of the National Coal Board and spend £86m on taking over one of America's larger real estate investment trusts.



Richard Lambert on the philosophy of Postel

Trustees play vital role in policy

MR RALPH QUARTANO has a problem. As chief executive of *Postel Investment Management*, which looks after both the Post Office and the British Telecommunications Staff Superannuation Schemes, he has to find a home for around £3m of net new money every working day of the year. Funds under management come to around £7bn, and since the schemes are a long way short of maturity, this pool of new money will continue to expand for a long time to come.

The task was made more complicated last year when the fund was split into two. This reflected British Telecom's wish to make a clean break with the past and it brought a great deal of extra paperwork for Postel's staff — *unchanged in numbers* with a total complement of 91 people.

The structure of the organisation is built around the role of the two sets of trustees, who have overall responsibility for the funds. They meet monthly and Mr Quartano stresses the importance of their involvement in policy decisions.

Each group of trustees is split evenly between management and union representatives, with *an independent chairman*. Contrary to received opinion in the City of London, Mr Quartano is enthusiastic about union representation. Just about all the employees of both corporations are union members.

Some of the union trustees have a very detailed knowledge of the pensions business, he says, and overall they bring a view which is independent of the City — "a great benefit."

The only constraint imposed *on the fund managers is a* ban on investment in South African registered companies—an issue of inviolable principle for the union trustees and "a matter of prudence" for the others.

. The key trustees' meetings take place in November, when the overall objectives of the funds are established in terms of the desired risk, return and quality of underlying investments. Guidelines are also given about the way the assets should be split among equities, property, fixed income and index-linked stock.

Roughly half the £7bn is currently invested in equities and the share portfolio is further divided into two sections —the core portfolio, which accounts for around 85 per cent, and discretionary investments which make up the rest. This approach is based on a concept of market risk which Postel has developed in conjunction with the London Business School.

An engineer by background, Mr Quartano is not a great believer in the magic of investment management. He says there is evidence to show that skilled investment managers *can* perform better than the herd—but only up to a point. "There is enough forecasting skill around to make a return if you use it skilfully. There is a very small grain of skill surrounded by the noise of general market movements, which makes it worth putting some money in a discretionary portfolio."

Core portfolio

Based on this philosophy, the core portfolio is designed to match as closely as possible the performance of the FT-Actuaries All-Share Index. The managers—there are only three of them—have to exercise skills in dealing and timing but not in fundamental analysis.

Managers of the discretionary portfolio are set specific risk targets, based on the volatility of the shares they select relative to the market as a whole. Because they take higher risks they are expected to beat the All-Share by a handsome margin. Among other things, they are allowed to go short by selling shares in the core *portfolio. They expect to use* the planned LIFFE equity contract, although they have not traded in the options market.

The theory is that fund managers should ask themselves to identify those areas where they have reason to think they are especially smart and those where they are just ordinarily competent. In the latter category, which is by definition the biggest, they should not attempt to do any better than everyone else.

The system took some time to establish and has now been in place for about three years. The record so far is good, although Mr Quartano hastily admits that luck may have played a part. The main virtue of this approach in Postel's eyes, however, is as an aid to management. In the old days managers were given a great splodge of assets and would often mess around on the margin, switching shares with no clear goal in view. "Now," says Mr Quartano, "I know exactly what people are doing."

Another advantage is that it makes the trustees aware of the risks involved in different investment strategies. Twice a year, in April and October, the main business of their monthly meetings includes an overall review of portfolio risk.

The bulk of Postel's funds are managed in-house but well over £1bn is managed by outsiders, notably Warburg, Schroder and Morgan Grenfell. This is in part a relic of the early days when the Post Office had no fund managers of its own. But it is also regarded as a useful way of buying in complementary skills and it helps performance measurement by providing a competitive environment.

Around a fifth of the equity portfolio is invested overseas—*the removal of exchange* controls has not made much difference to funds which have long had a sizeable exposure to international markets. There is only a minute investment in venture capital operations. Harsh experience has taught Postel that it does not have the time or skills to invest directly in this area and it prefers instead to hold shares in specialist funds.

Between a fifth and a quarter of the overall portfolios are invested in property, rather less than at the peak of the market. The overall value of the properties was marked down somewhat last year, a more conservative treatment than that used by some funds.

Postel looks after substantial property investments in North America and also in Continental Europe, the home of one of the funds' best known investments—Centre d'Affaires Le Louvre, in Paris. This investment—or to be more precise the way that it has been reported in the Press—is a subject which sends Mr Quartano into an uncharacteristic splutter of rage. Contrary to several reports, it has been a very successful development, with a number of high class tenants (including the Financial Times, no less).

Specialists

The property department is made up of around 15 people, backed up by a number of outside advisers. Apart from the conventional commercial properties, the department looks after some 12,000 acres of farmland in Hampshire and Wiltshire.

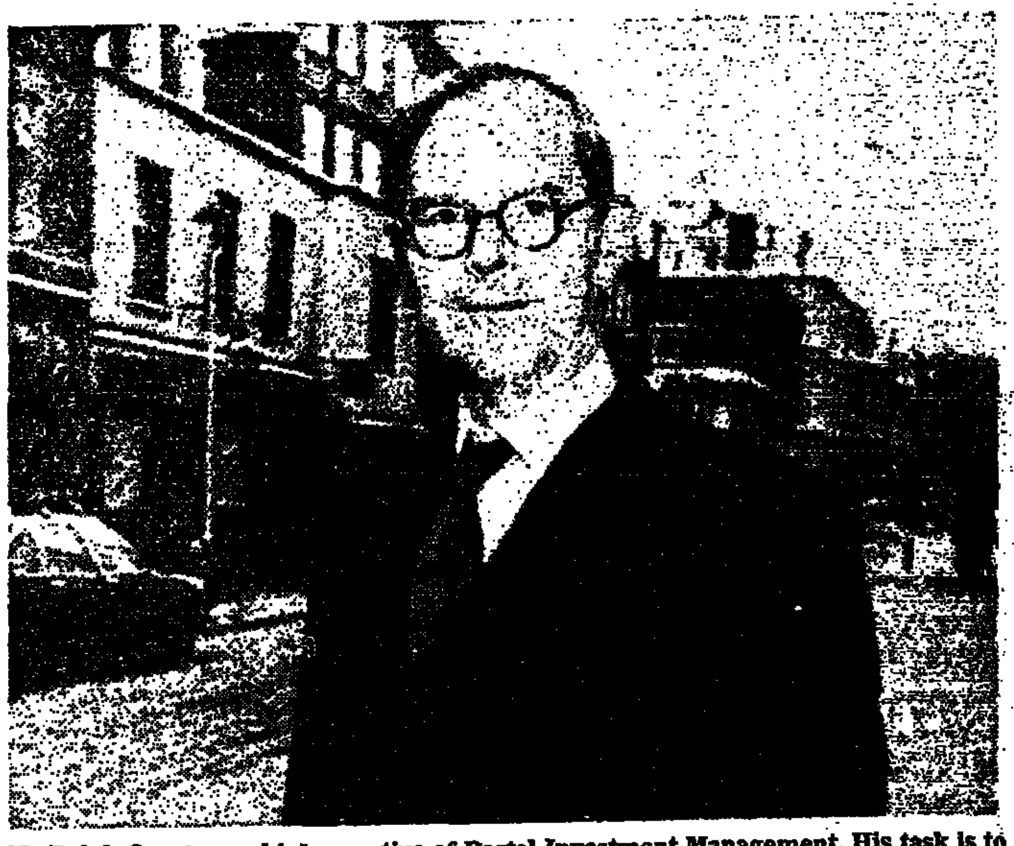
Elsewhere, another department manages bonds and index-linked gilts (the latter now represent nearly a tenth of the total portfolio). There are also a few money market specialists, responsible for sterling and foreign currency deposits and supervising a money book which may range from around £150m to £200m.

Postel's distinctive investment management style has been evident in the number of cases during recent years in which it has intervened in the affairs of companies where it is a shareholder. It played an important part in the changes at ICL and the Rank Organisation and it has not been afraid to come into the public eye. This has been most obvious, perhaps, in the messy affair of Associated Communication Corporation, when the funds sought an injunction to block a golden handshake payment—and more recently when Postel brought pressure on Marks and Spencer to disclose a series of property deals arranged for the benefit of directors.

In the light of this record Mr Quartano's views about the role of institutional shareholders are surprisingly hesitant. He is less enthusiastic than he used to be about developing the annual meeting into a proper forum; it's not the best place to seek information, he says, although it can be used as a last resort to make a point in the face of obdurate management.

"The problem is that investment institutions are not typically well placed to diagnose the failings of management and to provide solutions. Technical matters, such as a failure to fulfil Stock Exchange listing requirements, are one thing. Incompetence is another."

Mr Quartano much admires the industrial role which has been taken on by the Bank of England, under which it has overseen the reorganisation or reconstruction of a number of important companies in recent years. But in more every-day circumstances, he admits, "the only recourse I have is to live with the board structure we already know and to try to improve it by beefing up the non-executive directors and supporting them through audit committees, directors' remuneration committee committees, and so on."



Mr Ralph Quartano, chief executive of Postel Investment Management. His task is to find a home for £3m of new money every working day

Solid base to funds topping £100bn

CONTINUED FROM PAGE ONE

ment market away from the establishment banks has a lot further to go in the UK. The American trend has been towards the splitting of funds between a number of different managers, not just to introduce competition between them but also to allow the introduction of markedly different styles of management.

There could be big opportunities in the future for small teams of investment managers who can demonstrate not only expertise in running portfolios but also have the ability to market themselves to new clients and maintain good working relationships with existing ones.

At the same time some of the big U.S. financial groups are *building up their portfolio* management capabilities in London and while most of this is directed towards attracting international money for global management one or two, like Fidelity, are also eyeing the domestic pension fund market.

Two other developments could have major implications for the established operators in UK pension fund management. One is the process of deregulation at the London Stock Exchange, which is likely to lead to the abandonment of fixed scales of commission within 18 months or two years.

Commissions

This will, of course, affect stockbroking firms which at present in most cases charge no direct fees but rely on dealing commissions. When commissions become negotiable, it seems inevitable that they will have to go over to some kind of normal fee-charging basis and indeed the whole relationship of the fund management departments with their parent firms may have to be rethought.

It will also cause a reassessment at the merchant banks, which at present in most cases take the benefit of commission differentials when they deal for a number of client funds in the same shares. They are likely to have to raise their direct fees, something to which the independent management houses and the insurance companies look forward with satisfaction.

The other potential upheaval in the offing would result from any significant swing towards personal pension plans at the expense of the big occupational schemes. Right-wing pressure for greater individual freedom has led to the setting up of an inquiry by Mr Norman Fowler, Secretary of State for Health and Social Security.

Few expect the wholesale dismemberment of existing occupational schemes. But to the extent that they are cut down in scope to allow more opportunity for individuals it will hurt the merchant banks and favour the insurance companies and unit trust groups which are experienced at operating in the retail savings market.

There is more than just a hint of change in the air. The pension fund management industry must have looked with some misgivings at the plan just announced by the British Airways pension scheme to offer a cash rebate to staff in exchange for a reduction in benefits (which are admittedly extremely generous in relation to those of normal private sector schemes).

The Airways fund is managed in-house so no external managers will lose from the payout of anything up to £250m in cash. With BA heading for privatisation, this is very much of a special case.

Nevertheless, along with the much smaller James Neill example, it is a reminder that the phenomenal growth of occupational pension funds, to which external fund managers have become so accustomed, is not a wholly irreversible process.